UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2020

OR

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

Commission File No. 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) (Zip Code)
(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, $.01 par value	HSII	The Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act ((15. U.S. C 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

The aggregate market value of the registrant's Common Stock held by non-affiliates (excludes shares held by executive officers, directors and beneficial owners of 10% or more of the registrant's outstanding Common Stock) on June 30, 2020 was approximately $356,598,123 based upon the closing market price of $21.62 on that date of a share of Common Stock as reported on the Nasdaq Global Stock Market. As of February 22, 2021, there were 19,359,586 shares of the Company's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 27, 2021, are incorporated by reference into Part III of this Form 10-K.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I

ITEM 1. BUSINESS

Overview

Heidrick & Struggles International, Inc. (“Heidrick & Struggles”) is a leadership advisory firm providing executive search and consulting services to businesses and business leaders worldwide. When we use the terms “Heidrick & Struggles,” “the Company,” “we,” “us” and “our,” in this Form 10-K, we mean Heidrick & Struggles International, Inc. a Delaware corporation, and its consolidated subsidiaries. We provide our services to a broad range of clients through the expertise of over 425 consultants located in major cities around the world. Heidrick & Struggles and its predecessors have been a leadership advisor for more than 60 years. Heidrick & Struggles was formed as a Delaware corporation in 1999 when two of our predecessors merged to form Heidrick & Struggles.

Our service offerings include the following:

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 competitive advantages including access to and influence with key decision makers, increased potential for recurring search and consulting engagements, higher fees per 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. Our executive search services derive revenue through the fees generated for each search engagement, which generally are based on the annual compensation for the placed executive. We provide our executive search services primarily on a retained basis, recruiting senior executives whose first-year base salary and bonus averaged approximately $370,000 in 2020 on a worldwide basis.

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. 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. Typically, retained executive search firms are paid a retainer for their 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. In contrast, contingency search firms are compensated only upon successfully placing a recommended candidate.

We are a retained executive search firm. Our search process typically consists of the following steps:

- Analyzing the client’s business needs in order to understand its organizational structure, relationships and culture, advising the client as to the required set of skills and experiences for the position, and identifying with the client the other characteristics desired of the successful candidate;
- Selecting, contacting, interviewing and evaluating candidates on the basis of experience and potential cultural fit with the client organization;
- Presenting confidential written reports on the candidates who potentially fit the position specification;
- Scheduling a mutually convenient meeting between the client and each candidate;
- Completing reference checks on the final candidate selected by the client; and
- Assisting the client in structuring compensation packages and supporting the successful candidate’s integration into the client team.

Heidrick Consulting. In 2018, we combined our Leadership Consulting and Culture Shaping businesses to create Heidrick Consulting, a comprehensive offering of the firm's leadership advisory services. 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. 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. Heidrick Consulting represented less than 10% of our net revenue in 2020.

Organization

Our organizational structure, which is arranged by geography, service offering and industry and functional practices, is designed to enable us to better understand our clients’ cultures, operations, business strategies, industries and regional markets for leadership talent.

Geographic Structure. We provide senior-level executive search and consulting services to our clients worldwide through a network of 51 offices in 28 countries including our affiliates. Each office size varies; however, major locations are staffed with consultants, research associates, administrative assistants and other support staff. Administrative functions are centralized where possible, although certain support and research functions are situated regionally because of variations in local requirements. We face risks associated with political instability, legal requirements and currency fluctuations in our international operations. Examples of such risks include difficulties in managing global operations, social and political instability, regulations and potential adverse tax consequences. For a more complete description of the risks associated with our business see the Section in this Form 10-K entitled “Risk Factors”.

In addition to our wholly owned subsidiaries, our worldwide network includes affiliate relationships in Finland, South Africa and Turkey. We have no financial investment in these affiliates but receive licensing fees from them for the use of our name and our databases. Licensing fees are less than 1% of our net revenue.

Information by Geography. We operate our Executive Search services in three geographic regions, each of which is reported as a separate reporting segment: the Americas (which includes the countries in North and South America); Europe (which includes the continents of Europe and Africa); and Asia Pacific (which includes Asia and the region generally known as the Middle East). Our Heidrick Consulting reporting segment operates globally.

Americas Executive Search. As of December 31, 2020, we had 190 consultants in our Americas segment. The largest offices in this segment, as defined by net revenue, are located in New York, Chicago, and San Francisco.

Europe Executive Search. As of December 31, 2020, we had 102 consultants in our Europe segment. The largest countries in this segment, as defined by net revenue, are the United Kingdom, Germany, and France.

Asia Pacific Executive Search. As of December 31, 2020, we had 69 consultants in our Asia Pacific segment. The largest countries in this segment, as defined by net revenue, are China (including Hong Kong), Australia, and Japan.

Heidrick Consulting. As of December 31, 2020, we had 65 consultants in our Heidrick Consulting segment. The largest countries in this segment, as defined by net revenue, are the United States, the United Kingdom, and Dubai.

The relative percentages of net revenue attributable to each segment were as follows:

	Year Ended December 31,		
	2020	2019	2018
Executive Search			
Americas	58 %	58 %	57 %
Europe	20 %	19 %	20 %
Asia Pacific	13 %	14 %	14 %
Heidrick Consulting	9 %	9 %	9 %

For financial information relating to each segment, see Note 17, *Segment Information*, in the Notes to Consolidated Financial Statements.

Global Industry Practices. Our executive search and consulting businesses operate in six broad industry groups listed below. These industry categories and their relative sizes, as measured by billings for 2020, 2019 and 2018, are as follows:

	Percentage of Billings		
Global Industry Practices	**2020**	**2019**	**2018**
Financial Services	25 %	26 %	28 %
Global Technology & Services	21	21	20
Industrial	20	21	21
Consumer Markets	17	17	16
Healthcare & Life Sciences	14	12	11
Social Impact	3	3	4
	100 %	100 %	100 %

Within each broad industry group are a number of industry sub-sectors. Consultants often specialize in one or more sub-sectors to provide clients with market intelligence and candidate knowledge specific to their industry. For example, within the Financial Services sector, our business is diversified amongst a number of industry sub-sectors including Asset & Wealth Management, Consumer & Commercial Finance, Commodities, Corporate and Transaction Banking, Global Markets, Hedge Fund, Infrastructure, Investment Banking, Insurance, Private Equity Investment Professionals and Real Estate.

We service our clients with global industry interests and needs through unified global executive search teams who specialize in industry practices. This go-to-market strategy allows us to leverage our global diversity and market intelligence and is designed to provide better client service. Each client is served by one global account team, which we believe is a key differentiator from our competition.

Global Functional Practices. Our Executive Search consultants also specialize in searches for specific “C-level” functional positions, which are roles that generally report directly to the chief executive officer.

Our Global Functional Practices include Chief Executive Officer & Board of Directors; Human Resources Officers, Financial Officers; Information and Technology Officers, Legal, Risk, Compliance & Government Affairs, Marketing, Sales and Strategy Officers and Supply Chain and Operations.

Our team of Executive Search consultants may service clients from any one of our offices around the world. For example, an executive search for a chief financial officer of an industrial company located in the United Kingdom may involve an executive search consultant in the United Kingdom with an existing relationship with the client, another executive search consultant in the United States with expertise in our Industrial practice and a third executive search consultant with expertise in recruiting chief financial officers. This same industrial client may also engage us to perform skill-based assessments for each of its senior managers, which could require the expertise of one of our leadership advisory consultants trained in this service.

Client Base

For many of our clients, our global access to and knowledge of regional and functional markets and candidate talent is an important differentiator of our business. Our clients generally fall into one of the following categories:

- Fortune 1000 companies;
- Major U.S. and non-U.S. companies;
- Middle market and emerging growth companies;
- Governmental, higher education and not-for-profit organizations; and
- Other leading private and public entities.

Clients and Marketing

Our consultants market the firm’s executive search and consulting services through two principal means: targeted client calling and industry networking with clients and referral sources. These efforts are supported by proprietary databases, which provide our consultants with information as to contacts made by their colleagues with particular referral sources, candidates and clients. In addition, we benefit from a significant number of referrals generated by our reputation for high quality service and successfully completed assignments, as well as repeat business resulting from our ongoing client relationships.

In support of client calling and networking, the practice teams as well as individual consultants also author and publish articles and white papers on a variety of leadership and talent topics and trends around the world. Our consultants often present research findings and talent insights at notable conferences and events as well. Our insights are sometimes acknowledged by major media outlets and trade journalists. These efforts aid in the marketing of our services as well.

Either by agreement with the clients or to maintain strong client relationships, we may refrain from recruiting employees of a client, or possibly other entities affiliated with that client, for a specified period of time but typically not more than one year from the commencement of a search. We seek to mitigate any adverse effects of these off-limits arrangements by strengthening our long-term relationships, allowing us to communicate our belief to prospective clients that we can conduct searches effectively notwithstanding certain off-limits arrangements.

No single client accounted for more than 1% of our net revenue in 2020, and no more than 2% in 2019 or 2018. As a percentage of total revenue, our top ten clients in aggregate accounted for approximately 6% in 2020, 7% in 2019, and 6% in 2018.

Information Management Systems

We rely on technology to support our consultants and staff in the search process. 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.

Our consulting business' proprietary Web-based system, Culture Connect, is integral to the culture-shaping process. This technology platform enables our consultants to administer, analyze and interpret online Corporate Culture Profiles™ surveys to develop clarity around team and organizational need and desired outcomes. In addition, we gather data using our online Culture Impact Survey™ to determine which culture-shaping concepts are being utilized by individuals and the team as a whole. 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.

Competition

The executive search industry is highly competitive. While we face competition to some degree from all firms in the industry, we believe our most direct competition comes from four established global retained executive search firms that conduct searches primarily for the most senior-level positions within an organization. In particular, our competitors include Egon Zehnder International, Korn Ferry, Russell Reynolds Associates, and Spencer Stuart. To a lesser extent, we also face competition from smaller boutique firms that specialize in certain regional markets or industry segments and Internet-based firms. Each firm with which we compete is also a competitor in the marketplace for effective search consultants.

Overall, the search industry has relatively few barriers to entry; however, there are higher barriers to entry to compete with global retained executive search firms that can provide leadership consulting services at the senior executive level. At this level, clients rely more heavily on a search firm's reputation, global access and the experience level of its consultants. We believe that the segment of executive search in which we compete is more quality-sensitive than price-sensitive. As a result, we compete on the level of service we offer, reflected by our client services specialties and, ultimately, by the quality of our search results. We believe that our emphasis on senior-level executive search, the depth of experience of our search consultants and our global presence enable us to compete favorably with other executive search firms.

Competition in the leadership consulting markets in which we operate is highly fragmented, with no universally recognized market leaders.

Seasonality

There is no discernible seasonality in our business, although as a percentage of total annual net revenue, the first quarter typically generates less revenue than the other three quarters. Revenue and operating income have historically varied by quarter and are hard to predict from quarter to quarter. In addition, the volatility in the global economy and business cycles can impact our quarterly revenue and operating income.

Human Capital Resources

Employee Summary. As of December 31, 2020, Heidrick & Struggles employed 1,563 employees, which includes 856 in the Americas, 442 in Europe, and 265 in Asia Pacific. Our headcount included of 426 consultants (361 related to Executive Search and 65 related to Heidrick Consulting), 480 associates and 657 other search, support and Global Operations Support staff.

Within Executive Search and Heidrick Consulting, our professionals are generally categorized either as consultants or associates. Associates assist consultants by providing research support, coordinating candidate contact and performing other engagement-related functions. We promote our associates to consultants during the annual consultant promotion process, and we recruit our consultants from other executive search or human capital firms, or in the case of executive search, consultants new to search who have worked in industries or functions represented by our practices. In the latter case, these are often seasoned executives with extensive contacts and outstanding reputations who are entering the search profession as a second career and whom we train in our techniques and methodologies. Our Heidrick Consulting consultants are recruited for their executive business experience as well as their skills in consulting and leadership advisory and often are former clients who are familiar with our consulting methodology. We are not a party to any U.S.-based collective bargaining agreement, and we consider relations with our employees to be good.

Our Values. We believe that our success is grounded in how we operate each and every day as individual professionals and, collectively, as a firm. In 2015, we formalized our long-held beliefs into defined values to guide our employees – Grow with our clients; Win as one firm; Always act with Integrity; and Own the results. These values still represent who we are and who we want to be. With the unique circumstances brought on by the pandemic and the renewed urgency to address racial inequality, over the last year we reflected further on how our employees, our connections with one another, and the communities we build together shape our identity and aspirations as a firm. Importantly, we saw an opportunity to directly underscore the importance of our employees in our values.

With this in mind, we have introduced an additional, important new value – Respect and value each individual – to more clearly articulate our commitment to increasing diversity and fostering an inclusive environment, one where all individual voices and backgrounds are welcomed, listened to and valued. Our values serve to guide us in how we approach our business and how we treat our colleagues and clients, and also help us build trust and a common understanding of what we stand for and believe in as a firm.

In 2020, we demonstrated the strength of our culture and the positive results we could achieve as we worked together to drive our transformation in the midst of an unprecedented year. We strive to build on these efforts as we continue to grow our business with our new, expanded and explicitly more inclusive values.

Diversity and Inclusion. Diversity and inclusion is imperative for our internal culture, as we believe it drives innovation and future growth. We have committed substantial time and resources to advance diversity in our workforce, and we continue to support a culture where diversity is celebrated. We also work to create a culture of inclusion, where everyone feels valued and supported, and is encouraged to contribute to our success through authentic participation. Collaboration and inclusion are among our greatest strengths. By cultivating a culture that brings the maximum range of ideas and experience to our work with clients around the world, we believe we increase our innovation, create better solutions to our clients' business challenges and win as one firm.

Our diversity and inclusion efforts are comprised of many initiatives including:

- Creating an Advancing Black Leaders Action Group.
- Commitment to the "Paradigm for Parity", a movement that is a coalition of business leaders dedicated to addressing the leadership gender gap in corporate America. We created and launched the Accelerating Women's Excellence initiative to develop high-potential women for promotion into leadership positions. In 2021, we launched the third cohort of this program.

- Holding "Courageous Conversations" around race and intersectionality.
- Development and signing of the Association of Executive Search Consultants Diversity Pledge.
- Establishing employee resource groups including: Women's Inclusion Network, Professionals of Color, Ethnic Diversity Engagement Network, Pride@Heidrick, and Honor Equality and Inclusion for Disability
- Diverse office, practice and executive leaders within the firm.

In 2020, we reaffirmed our commitment to diversity and inclusion with the appointment of our Chief Inclusion Officer and the establishment of our diversity and inclusion aspirations - "We Create, We Invest, We Build." These aspirations are explained below:

- We create a culture of inclusion where everyone is valued and respected. We create a culture that embraces differences and encourages authenticity. We create innovation by maximizing the contributions of our diverse populations. We offer services to our clients to help them do the same.
- We invest in the advancement, experience and success of diverse talent within our organization. We invest in leaders both internally and externally who are inclusive and empathetic and champion diversity. We invest in our communities, specifically targeting those groups who have been historically underrepresented and disadvantaged.
- We build talent pipelines for our clients and ourselves that intentionally target and develop diverse talent. We build diverse and inclusive teams to best represent our clients and their interests. We build innovative solutions to enhance the success of diverse individuals. We build quantifiable measures that define and track diversity statistics to create accountability.

We believe that diversity and inclusion are key elements of an organization's ability to mobilize, execute and transform with agility.

Employee Engagement. We provide all employees with the opportunity to share their opinions and feedback through our proprietary Organization Accelerator Questionnaire ("OAQ") every two years. The OAQ provides an accurate Acceleration Profile based on assessment of the 13 Drive Factors of organizational performance. The OAQ captures an individual's perception of the organization, as well as their own personal experience within the organization, and tracks progress from period to period, while also benchmarking teams within the same organization. The insights it provides enable focused action planning. Results of the questionnaire are measured, analyzed and discussed in live sessions in each office to enhance the employee experience, drive change, and leverage the overall success of our organization. On a global basis, 92% of our employees participated in the OAQ in 2020.

Learning and Development. We are committed to the professional development of our employees and promoting a continuous learning culture within our firm. Our learning and development programs have been created with the goal of building leadership, business development, account management, client service, and change leadership skills among our employees. In addition to building personal and professional capabilities, these programs set a standard for the behaviors that will help us realize our business goals and strategies.

In 2020, our Learning & Development team re-imagined our programs to adapt to a virtual environment, and we will continue to deliver programs virtually in 2021. Our learning catalog outlines dozens of live, virtual programs and thousands of eLearning courses designed to help build and enhance employee leadership, business acumen and business development skills. These programs are continually updated to reflect best practices and feedback received from employees.

Over 1,200 of our employees participated in almost 11,000 hours of virtual learning during 2020.

Participation in our Communities. We are proud members and eager participants in communities where we work. We know first-hand from our client work the positive effects that strong leaders can bring to both organizations and communities, and to encourage employees to contribute to our communities as well.

The Company formed a Global Philanthropic Committee in 2019 to establish a coordinated, global approach to supporting the charitable causes and philanthropic endeavors that impact our employees, clients and communities. We also respect the right of our employees to independently engage in charitable causes and encourage the same. We collaborate to find appropriate charitable and community causes by promoting suggestions to the Global Philanthropic Committee.

In 2019, employees participated in our first ever Global Day of Service where we, as a firm, gave back to our communities by raising awareness, volunteering and raising funds for non-profits and organizations focused on education, training, development and other local causes. In 2020, participation in the Global Day of Service increased to over 600 employees in 26 offices benefiting over 45 organizations and non-profits.

Compensation and Benefits. Our goal is not only to challenge our employees to reach their potential professionally, and reward them for great work, but also to understand and consider their need to be simultaneously healthy, balanced and focused. We believe in fair compensation, based upon demonstrated capabilities and achievement, experience, and superior performance. We place great importance on incentivizing, recognizing, and rewarding performance and behaviors aligned with our values in the form of discretionary bonus awards. Through our benefits program, we demonstrate commitment to fostering an environment in which employees are able to maintain a healthy work-life balance, and in which the best talent wants to work and thrive. Our benefits are administered on a country-by-country basis, so that benefits are comparable to other employers within each jurisdiction and our industry. We use several measures to ensure that our benefits offerings are up-to-date, competitive in the marketplace, and in line with employee needs, including employee surveys, benchmarking exercises, and other benefits measurement tools. Benefits offered to our employees may include annual leave and other paid time off, medical, dental and vision benefits, prescription drug benefits, flexible spending accounts, employee assistance programs, 401(k) and deferred compensation retirement programs, short and long-term disability insurance, critical illness insurance and life insurance.

Employee Safety. As we continue to navigate through these extraordinary times, our top priority has been ensuring the health and safety of our employees, clients and the communities where we live and work around the globe. To minimize the risk of exposure to COVID-19, and in line with guidance and mandates from local and national governments and health authorities, we have suspended all business travel and instituted a work-from-home policy across the Americas, Europe and Asia Pacific. As a digital-focused, tech-enabled firm, we have been able to adapt quickly to having so many of our employees work from home, and have also expanded the support provided to our employees and their families, including flexible work times and telemedicine options. In addition, we have been reviewing our business continuity plans on an ongoing basis to ensure our operations continue to run smoothly.

Ethics. Employees are encouraged to speak to their colleagues and representatives in Legal and Human Resources whenever an ethical question or situation arises. We also have established the Heidrick & Struggles EthicsLine, a service that provides a mechanism for reporting alleged breaches of any legal or regulatory obligations, financial fraud, including accounting, internal controls and auditing, or any alleged violation of the Code of Conduct or corporate policies to the Company. The EthicsLine is a web-based and telephonic reporting hotline available to all company employees, contractors, vendors, stockholders, clients, or other interested parties. The EthicsLine is administered by an independent third party that is separate from the Company and specializes in running whistleblower hotline programs for companies throughout the U.S. Calls are not recorded and callers may remain anonymous. The EthicsLine is operational 24 hours a day, seven days a week. To contact the EthicsLine, you may dial 800-735-0589 toll-free in the U.S. or 704-731-7242 outside the U.S. or by visiting https://heidrickandstruggles.alertline.com.

Regulation

We are subject to the U.S. securities laws and general corporate and commercial laws and regulations of the locations which we serve. These include regulations regarding anti-bribery, privacy and data protection, intellectual property, data security, data retention, personal information, economic or other trade prohibitions or sanctions. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. Most notably, certain aspects of our business are subject to the European Union's General Data Protection Regulation ("GDPR") which became effective on May 25, 2018. We have a GDPR compliance program to facilitate our ongoing efforts to comply with GDPR regulations. U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to change.

Available Information

We maintain an Internet website at *http://www.heidrick.com*. We make available free of charge through the investor relations section of our website annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of

1934 ("Exchange Act"), as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission (“SEC”). Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Officer, are our certificate of incorporation and by-laws, charters for our Audit and Finance Committee, Human Resources and Compensation Committee and Nominating and Board Governance Committee, our Policy Regarding Director Independence Determinations, our Policy on Reporting of Concerns Regarding Accounting and Other Matters, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director or senior financial officer.

In addition, our website includes information concerning purchases and sales of our equity securities by our executive officers and directors, as well as disclosure relating to certain non-GAAP financial measures (as defined in the SEC’s Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by similar means from time to time.

Our Investor Relations Officer can be contacted at Heidrick & Struggles International, Inc., 233 South Wacker Drive, Suite 4900, Chicago, Illinois, 60606, Attn: Investor Relations Officer, telephone: 312-496-1200,
e-mail: InvestorRelations@heidrick.com.

ITEM 1A. RISK FACTORS

In addition to other information in this Form 10-K, the following risk factors should be carefully considered in evaluating our business because such factors may have a material impact on our business, operating results, cash flows and financial condition. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties of which we are unaware, or that we currently believe are not material, may also become important factors that adversely affect our business.

Company Risks

Operational Risks

We depend on attracting, integrating, developing, managing, and retaining qualified consultants and senior leaders.

Our success depends upon our ability to attract, develop, integrate, manage and retain quality consultants with the skills and experience necessary to fulfill our clients’ needs and achieve our operational and financial goals. Our ability to hire and retain qualified consultants could be impaired by any diminution of our reputation, disparity in compensation relative to our competitors, modifications to our total compensation philosophy or competitor hiring programs. If we cannot attract, hire, develop and retain qualified consultants, our business, financial condition and results of operations may suffer. Our future success also depends upon our ability to integrate newly hired consultants successfully into our operations and to manage the performance of our consultants. Failure to successfully integrate newly hired consultants or to manage the performance of our consultants could affect our profitability by causing operating inefficiencies that could increase operating expenses and reduce operating income. There is also a risk that unanticipated turnover in senior leadership could stall company activity, interrupt strategic vision or lower productive output which may adversely affect our business, financial condition and results of operations.

We may not be able to prevent our consultants from taking our clients with them to another firm.

Our success depends upon our ability to develop and maintain strong, long-term relationships with our clients. Although we work on building these relationships between our firm and our clients, in many cases one or two consultants have primary responsibility for a client relationship. When a consultant leaves one executive search firm and joins another, clients who have established relationships with the departing consultant may move their business to the consultant’s new employer. We may also lose clients if the departing consultant has widespread name recognition or a reputation as a specialist in executing searches in a specific industry or management function. If we fail to retain important client relationships when a consultant departs our firm, our business, financial condition and results of operations may be adversely affected.

Our success depends on our ability to maintain our professional reputation and brand name.

We depend on our overall professional reputation and brand name recognition to secure new engagements and hire qualified consultants. Our success also depends on the individual reputations of our consultants. We obtain many of our new engagements from existing clients or from referrals by those clients. A client who is dissatisfied with our work can adversely affect our ability to secure new engagements. If any factor, including poor performance, hurts our reputation we may experience difficulties in competing successfully for both new engagements and qualified consultants. Failure to maintain our professional reputation and brand name could adversely affect our business, financial condition and results of operations.

Because our clients may restrict us from recruiting their employees, we may be unable to fill or obtain new executive search assignments.

Clients frequently require us to refrain from recruiting certain of their employees when conducting executive searches on behalf of other clients. These restrictions generally remain in effect for no more than one year following the commencement of an engagement. However, the specific duration and scope of the off-limits arrangements depend on the length of the client relationship, the frequency with which the client engages us to perform searches, the number of assignments we have performed for the client and the potential for future business with the client.

Client restrictions on recruiting their employees could hinder us from fulfilling executive searches. Additionally, if a prospective client believes that we are overly restricted from recruiting the employees of our existing clients, these prospective clients may not engage us to perform their executive searches. As a result, our business, financial condition and results of operations may suffer.

We rely heavily on information management systems.

Our success depends upon our ability to store, retrieve, process and manage substantial amounts of information. To achieve our goals, we must continue to improve and upgrade our information management systems. We may be unable to license, design and implement, in a cost-effective and timely manner, improved information systems that allow us to compete effectively. In addition, business process reengineering efforts may result in a change in software platforms and programs. Such efforts may result in an acceleration of depreciation expense over the shortened expected remaining life of the software and present transitional problems. Problems or issues with our proprietary search system or other factors may result in interruptions or loss in our information processing capabilities which may adversely affect our business, financial condition and results of operations.

Legal, Regulatory and Compliance Risks

We face the risk of liability in the services we perform.

We are exposed to potential claims with respect to the executive search process. A client could assert a claim for violations of off-limits arrangements, breaches of confidentiality agreements or professional malpractice. The growth and development of our consulting services brings with it the potential for new types of claims. In addition, candidates and client employees could assert claims against us. Possible claims include failure to maintain the confidentiality of the candidate’s employment search or for discrimination or other violations of the employment laws or malpractice. In various countries, we are subject to data protection laws impacting the processing of candidate information. We maintain professional liability insurance in amounts and coverage that we believe are adequate; however, we cannot guarantee that our insurance will cover all claims or that coverage will always be available. Significant uninsured liabilities could have a negative impact on our business, financial condition and results of operations.

Data security, data privacy and data protection laws, such as GDPR, and other evolving regulations and cross-border data transfer restrictions, may limit the use of our services and adversely affect our business.

We are or may become subject to a variety of laws and regulations in the European Union (including GDPR), United States and abroad regarding data privacy, protection and security. As these laws continue to evolve, we may be required to make changes to our services, solutions and/or products so as to enable the Company and/or our clients to meet the new legal requirements, including by taking on more onerous obligations in our contracts, limiting our storage, transfer and processing of data and, in some cases, limiting our service and/or solution offerings in certain locations. Changes in these laws may also increase our potential exposure through significantly higher potential penalties for non-compliance. The costs of compliance with, and other burdens imposed by, such laws and regulations and client demands in this area may limit the use of, or demand for, our services, solutions and/or products, make it more difficult and costly to meet client expectations, or lead to significant fines, penalties or liabilities for noncompliance, any of which could adversely affect our business, financial condition and results of operations.

In addition, due to the uncertainty and potentially conflicting interpretations of these laws, it is possible that such laws and regulations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with applicable laws or satisfactorily protect personal information could result in governmental enforcement actions, litigation, or negative publicity, any of which could inhibit sales of our services, solutions and/or products.

Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks could pose a risk to our systems, networks, solutions, services and data.

Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. We have a program in place to detect and respond to data security incidents. However, we remain potentially vulnerable to additional known or unknown threats. We also have access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations and client-imposed controls. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, lost data, employee errors and/or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems or networks, unauthorized access, use, disclosure, modification or destruction of information. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action which could result in a negative impact to our results of operations.

Industry and General Economic Risks

The current COVID-19 pandemic, or the future outbreak of other highly infectious or contagious diseases, could continue to adversely impact or cause disruption to our business, financial condition, results of operations and cash flows. Further, the COVID-19 pandemic has caused severe disruptions in the U.S. and global economy, may further disrupt financial markets and could potentially create widespread business continuity issues.

COVID-19 has spread to over 100 countries, including the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020 the United States declared a national emergency with respect to COVID-19.

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. In addition, certain of our customers have closed or reduced their operations during this pandemic.

The global pandemic has created significant volatility, uncertainty and economic disruption. Beginning in the 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 negatively impacted our results of operations. 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: the duration and scope of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic, and actions taken in response to the pandemic, on economic activity; 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; the ability of our clients to pay for our services and solutions; and any closures of our and our clients' offices and facilities. Restrictions inhibiting our employees' and clients' ability to access those offices and facilities, has disrupted, and are expected to continue to disrupt, our ability to provide our services and solutions. These disruptions have, and may continue to, result in, among other things, a decline in demand for our executive search and consulting services due to temporary and permanent workforce reductions; 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 engagements; prolonged disruptions in business operations for offices in areas most impacted by the pandemic, including the United States, United Kingdom, Italy, Spain, China and Brazil; terminations of client contracts and losses of revenue.

Management expects that all of its business segments, across all of its geographies, will continue to be impacted to some degree by the pandemic and actions taken in response to the pandemic, 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. During the second quarter, the sustained economic downturn resulted in the impairment of the goodwill in our Europe and Asia Pacific reporting units. We also evaluated the recoverability of our intangible and other long-lived assets during the second quarter and determined that no impairment was necessary. We will continue to monitor the impact of the economic downturn for additional potential impairment of goodwill, other intangible assets and long-lived assets.

The impact of the COVID-19 pandemic may also exacerbate other risks discussed herein, any of which could have a material effect on us. The ultimate effect that the COVID-19 pandemic may have on our business, financial condition or results of operations is not presently known to us or may present unanticipated risks that cannot be determined at this time.

We face aggressive competition.

The global executive search industry is highly competitive and fragmented. We compete with other large global executive search firms, smaller specialty firms and, more recently with Internet-based firms and social media. Specialty firms may focus on regional or functional markets or on particular industries to a greater extent than we do. Some of our competitors may possess greater resources, greater name recognition and longer operating histories than we do in particular markets or practice areas, or be willing to reduce their fees or agree to alternative pricing practices in order to attract clients and increase market share. Our competitors may be further along in the development and design of technological solutions to meet client requirements.

There are limited barriers to entry into the search industry and new search firms continue to enter the market. Executive search firms that have a smaller client base than we do may be subject to fewer off-limits arrangements. In addition, our clients or prospective clients may decide to perform executive searches using in-house personnel. Also, as Internet-based firms continue to evolve, they may develop offerings similar to or more expansive than ours, thereby increasing competition for our services or more broadly disrupting the executive search industry. As a result, we may not be able to continue to compete effectively with existing or potential competitors and we may not be able to implement our leadership strategy effectively. Our inability to meet these competitive challenges could have an adverse effect on our business, financial condition and results of operations.

Our net revenue may be affected by adverse economic conditions.

Demand for our services is affected by global economic conditions and the general level of economic activity in the geographic regions in which we operate. During periods of slowed economic activity many companies hire fewer permanent employees, and our business, financial condition and results of operations may be adversely affected. If unfavorable changes in economic conditions occur, our business, financial condition and results of operations could suffer.

A significant currency fluctuation between the U.S. dollar and other currencies could adversely impact our operating income.

With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. In 2020, approximately 40% of our net revenue was generated outside the United States. As we typically transact business in the local currency of our subsidiaries, our profitability may be impacted by the translation of foreign currency financial statements into U.S. dollars. Significant long-term fluctuations in relative currency values, in particular an increase in the value of the U.S. dollar against foreign currencies, could have an adverse effect on our financial condition and results of operations.

Our ability to access additional credit could be limited.

Banks can be expected to strictly enforce the terms of our credit agreement. Although we are currently in compliance with the financial covenants of our revolving credit facility, a deterioration of economic conditions may negatively impact our business resulting in our failure to comply with these covenants, which could limit our ability to borrow funds under our credit facility or from other borrowing facilities in the future. In such circumstances, we may not be able to secure alternative financing or may only be able to do so at significantly higher costs.

General Risks

Our multinational operations may be adversely affected by social, political, regulatory, legal and economic risks.

We generate substantial revenue outside the United States. We offer our services through a network of offices in 28 countries around the world. Our ability to effectively serve our clients is dependent upon our ability to successfully leverage our operating model across all of these and any future locations, maintain effective management controls over all of our locations to ensure, among other things, compliance with applicable laws, rules and regulations, and instill our core values in all of our personnel at each of these and any future locations. We are exposed to the risk of changes in social, political, legal and economic conditions inherent in our operations, which could have a significant impact on our business, financial condition and results of operations. In addition, we conduct business in countries where the legal systems, local laws and trade practices are unsettled and evolving. Commercial laws in these countries are sometimes vague, arbitrary and inconsistently applied. Under these circumstances, it is difficult for us to determine at all times the exact requirements of such local laws. If we fail to comply with local laws, our business, financial condition and results of operations could suffer. In addition, the global nature of our operations poses challenges to our management, and financial and accounting systems. Failure to meet these challenges could adversely affect our business, financial condition and results of operations.

Unfavorable tax law changes and tax authority rulings may adversely affect results.

We are subject to income taxes in the United States and in various foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings among countries with differing statutory tax rates, or changes in the valuation allowance of deferred tax assets or tax laws. The amount of income taxes and other taxes are subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, future financial results may include unfavorable tax adjustments.

We may not be able to generate sufficient profits to realize the benefit of our net deferred tax assets.

We establish valuation allowances against deferred tax assets when there is insufficient evidence that we will be able to realize the benefit of these deferred tax assets. We reassess our ability to realize deferred tax assets as facts and circumstances dictate. If after future assessments of our ability to realize the deferred tax assets we determine that a lesser or greater allowance is required, we record a reduction or increase to the income tax expense and the valuation allowance in the period of such determination. The uncertainty surrounding the future realization of our net deferred tax assets could adversely impact our financial condition and results of operations.

We may not be able to align our cost structure with net revenue.

We must ensure that our costs and workforce continue to be in proportion to demand for our services. Failure to align our cost structure and headcount with net revenue could adversely affect our business, financial condition and results of operations.

We may experience impairment of our goodwill, other intangible assets and other long-lived assets.

In accordance with generally accepted accounting principles, we perform assessments of the carrying value of our goodwill at least annually, and we review our goodwill, other intangible assets and other long-lived assets for impairment whenever events occur or circumstances indicate that a carrying amount of these assets may not be recoverable. These events and circumstances include a significant change in business climate, attrition of key personnel, changes in financial condition or results of operations, a prolonged decline in our stock price and market capitalization, competition, and other factors. In performing these assessments, we must make assumptions regarding the estimated fair value of our goodwill and other intangible assets. These assumptions include estimates of future market growth and trends, forecasted revenue and costs, capital investments, discount rates, and other variables. If the fair market value of one of our reporting units or other long-term assets is less than the carrying amount of the related assets, we would be required to record an impairment charge. Due to continual changes in market and general business conditions, we cannot predict whether, and to what extent, our goodwill and long-lived intangible assets may be impaired in future periods. Any resulting impairment loss could have an adverse impact on our business, financial condition and results of operations.

Our ability to execute and integrate future acquisitions, if any, could negatively affect our business and profitability.

Our future success may depend in part on our ability to complete the integration of acquisition targets successfully into our operations. The process of executing and integrating an acquired business may subject us to a number of risks, including:

- diversion of management attention;
- failure to successfully further develop the acquired business;
- amortization of intangible assets, adversely affecting our reported results of operations;
- inability to retain and/or integrate the management, key personnel and other employees of the acquired business;
- inability to properly integrate businesses resulting in operating inefficiencies;
- inability to establish uniform standards, disclosure controls and procedures, internal control over financial reporting and other systems, procedures and policies in a timely manner;
- inability to retain the acquired company's clients;
- exposure to legal claims for activities of the acquired business prior to acquisition; and
- inability to generate revenues to offset any new liabilities assumed and expenses associated with an acquired business.

If our acquisitions are not successfully executed and integrated, our business, financial condition and results of operations, as well as our professional reputation, could be adversely affected.

We have anti-takeover provisions that make an acquisition of us difficult and expensive.

Anti-takeover provisions in our Certificate of Incorporation, our Bylaws and the Delaware laws make it difficult and expensive for someone to acquire us in a transaction which is not approved by our Board of Directors. Some of the provisions in our Certificate of Incorporation and Bylaws include:

- limitations on stockholder actions; and
- the ability to issue one or more series of preferred stock by action of our Board of Directors.

These provisions could discourage an acquisition attempt or other transaction in which stockholders could receive a premium over the then-current market price for the common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Chicago, Illinois. We have leased office space in 48 cities in 25 countries around the world. All of our offices are leased. We do not own any real estate. The aggregate office space under lease was 421,734 square feet as of December 31, 2020. Our office leases call for future minimum lease payments of approximately $128.7 million and have terms that expire between 2021 and 2033, exclusive of renewal options that we can exercise.

Our office space by geographic segment as of December 31, 2020 is as follows:

	Square Footage
Americas	214,821
Europe	131,586
Asia Pacific	75,327
Total	421,734

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for our Common Stock

Our common stock, $0.01 par value, is listed on the Nasdaq Stock Market under the symbol "HSII".

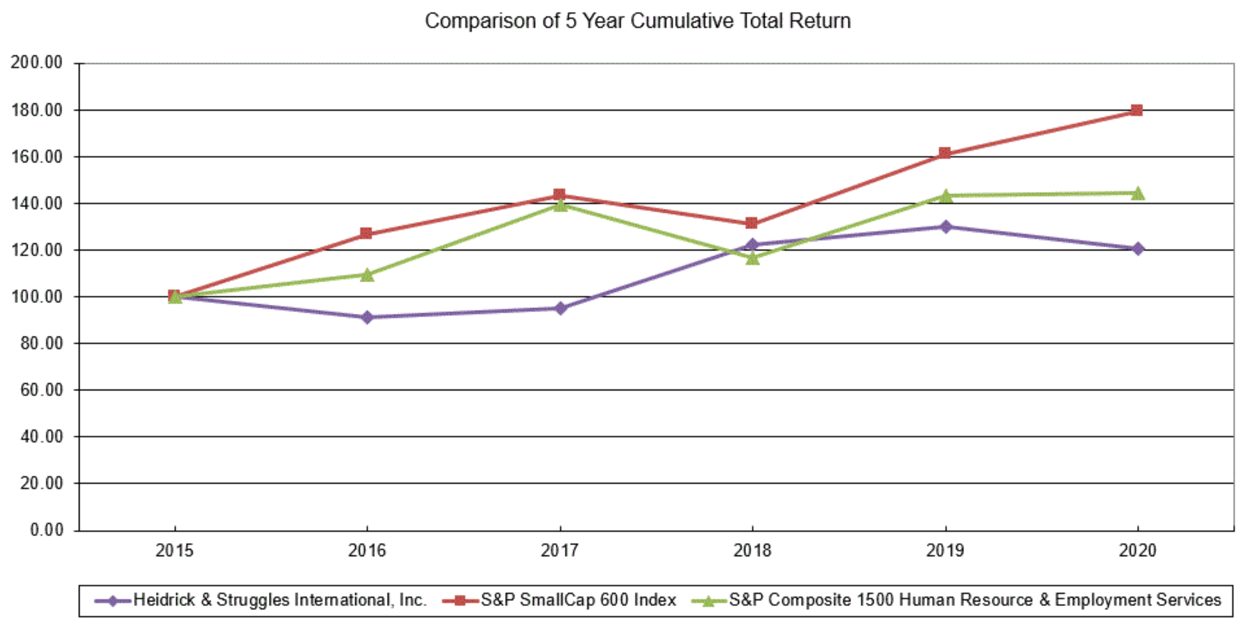
Holders of Record

As of February 15, 2021, we had 50 holders of record of our common stock and 19,359,586 shares of common stock outstanding. A greater number of holders of our common stock are beneficial holders, whose shares are held by banks, brokers, and other financial institutions.

Performance Graph

We have presented below a graph which compares the cumulative total stockholder return on our common shares with the cumulative total stockholder return of the Standard & Poor's SmallCap 600 Index and the Standard & Poor's Composite 1500 Human Resource and Employment Services Index. The S&P Composite 1500 Human Resource & Employment Services Index includes 11 companies in related businesses, including Heidrick & Struggles. Cumulative total return for each of the periods shown in the performance graph is measured assuming an initial investment of $100 on December 31, 2015.

The stock price performance depicted in this graph is not necessarily indicative of future price performance. This graph will not be deemed to be filed as part of this Form 10-K, and will not be deemed to be incorporated by reference by any general statement incorporating this Form 10-K into any filing by us under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate this information by reference.



* Assuming $100 invested on 12/31/15 in HSII or index, including reinvestment of dividends.
Prepared by: Zacks Investment Research, Inc.
Copyright: Standard and Poor's, Inc.

Dividends

From September 2007 through December 2018, we paid a quarterly cash dividend of $0.13 per share as approved by our Board of Directors. In 2019, we began paying a quarterly cash dividend of $0.15 per share as approved by our Board of Directors. In 2020, the total cash dividend paid was $0.60 per share.

In February 2021, our Board of Directors approved a quarterly dividend of $0.15 per share on our common stock which will be paid on March 19, 2021 to shareholders of record as of March 5, 2021.

In connection with the quarterly cash dividend, we also pay a dividend equivalent on outstanding restricted stock units. The amounts related to the dividend equivalent payments for restricted stock units are accrued over the vesting period and paid upon vesting. In 2020 and 2019, we paid $0.5 million and $0.4 million, respectively, in dividend equivalent payments.

Issuer Purchases of Equity Securities

On February 11, 2008, we announced that our Board of Directors authorized management to repurchase shares of our common stock with an aggregate purchase price of up to $50 million (the "Repurchase Agreement"). We may from time to time and as business conditions warrant purchase shares of our common stock on the open market or in negotiated or block trades. No time limit has been set for completion of this program. We did not repurchase any shares of our common stock in 2020 or 2019. The most recent purchase of shares of common stock occurred during the year ended December 31, 2012. As of December 31, 2020, we have purchased 1,038,670 shares of our common stock pursuant to the Repurchase Authorization for a total of $28.3 million and $21.7 million remains available for future purchases under the Repurchase Authorization.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below has been derived from our audited consolidated financial statements. The data as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, is derived from the audited current and historical consolidated financial statements, which are included elsewhere in this Form 10-K. Other than noted below, the data as of December 31, 2018, 2017 and 2016, and for the years ended December 31, 2017 and 2016, are derived from audited historical consolidated financial statements, which are not included in this report. The data set forth is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations", the audited consolidated financial statements, the notes thereto, and the other financial data and statistical information included in this Form 10-K.

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands, except per share and other operating data)				
Statements of Operations Data					
Revenue					
Revenue before reimbursements (net revenue)	$ 621,615	$ 706,924	$ 716,023	$ 621,400	$ 582,390
Reimbursements	7,755	18,690	19,632	18,656	18,516
Total revenue	629,370	725,614	735,655	640,056	600,906
Operating expenses					
Salaries and benefits	450,424	501,791	506,349	434,219	400,070
General and administrative expenses	121,378	137,492	140,817	147,316	147,087
Impairment charges(1)	32,970	—	—	50,722	—
Restructuring charges(2)	52,372	4,130	—	15,666	—
Reimbursed expenses	7,755	18,690	19,632	18,656	18,516
Total operating expenses	664,899	662,103	666,798	666,579	565,673
Operating income (loss)	(35,529)	63,511	68,857	(26,523)	35,233
Non-operating income (expense)					
Interest, net	204	2,880	1,141	385	244
Other, net	3,927	2,898	494	(3,280)	2,289
Net non-operating income (expense)	4,131	5,778	1,635	(2,895)	2,533
Income (loss) before income taxes	(31,398)	69,289	70,492	(29,418)	37,766
Provision for income taxes	6,309	22,420	21,197	19,217	22,353
Net income (loss)	$ (37,707)	$ 46,869	$ 49,295	$ (48,635)	$ 15,413
Basic weighted average common shares outstanding	19,301	19,103	18,917	18,735	18,540
Diluted weighted average common shares outstanding	19,301	19,551	19,532	18,735	18,939
Basic net income (loss) per common share	$ (1.95)	$ 2.45	$ 2.61	$ (2.60)	$ 0.83
Diluted net income (loss) per common share	$ (1.95)	$ 2.40	$ 2.52	$ (2.60)	$ 0.81
Cash dividends paid per share	$ 0.60	$ 0.60	$ 0.52	$ 0.52	$ 0.52
Balance Sheet Data (at end of period)					
Working capital	$ 154,448	$ 149,140	$ 131,916	$ 77,998	$ 77,838
Total assets	787,812	844,173	700,629	587,204	581,502
Long-term debt, less current maturities	—	—	—	—	—
Stockholders' equity	267,602	309,115	267,156	212,705	258,590

(1) Includes goodwill impairment charges of $24.5 million in Europe and $8.5 million in Asia Pacific in 2020. Includes $50.7 million of goodwill and other intangible asset impairment charges related to Heidrick Consulting in 2017. (See Note 8, *Goodwill and Other Intangible Assets)*.

(2) The 2020 restructuring charges consist of $32.8 million of employee-related costs associated with severance agreements and the elimination of certain deferred compensation programs, $18.9 million of real estate related expenses, and $0.7 million of professional fees and other expenses. The 2019 charges consist primarily of employee-related costs associated with severance arrangements. The 2017 charges consist of $13.1 million of employee-related costs associated with severance arrangements, $2.3 million in professional fees and other expenses and $0.3 million in real estate related expenses (See Note 14, *Restructuring)*.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this annual report on Form 10-K 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. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed under the Section heading "Risk Factors" in Part I, Item 1A of this Form 10-K.

Factors that may affect the outcome of the forward-looking statements include, among other things, the impacts, direct and indirect, of the COVID-19 pandemic on our business, our consultants and employees, and the overall economy; leadership changes, our ability to attract, integrate, develop, manage and retain qualified consultants and senior leaders; our ability to prevent our consultants from taking our clients with them to another firm; our ability to maintain our professional reputation and brand name; the fact that our net revenue may be affected by adverse economic conditions; our clients' ability to restrict us from recruiting their employees; the aggressive competition we face; our heavy reliance on information management systems; the fact that we face the risk of liability in the services we perform; the fact that data security, data privacy and data protection laws and other evolving regulations and cross-border data transfer restrictions may limit the use of our services and adversely affect our business; social, political, regulatory and legal risks in markets where we operate; the impact of foreign currency exchange rate fluctuations; the fact that we may not be able to align our cost structure with net revenue; unfavorable tax law changes and tax authority rulings; our ability to realize our tax losses; the timing of the establishment or reversal of valuation allowance on deferred tax assets; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; the fact that we have anti-takeover provisions that make an acquisition of us difficult and expensive; our ability to access additional credit; and the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for years 2020 and 2019. For the discussion of changes from 2018 to 2019 and other financial information related to 2018, refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2019. This document was filed with the SEC on February 24, 2020.

Executive Overview

Our Business

We are a leadership advisory firm providing executive search and consulting 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.

We provide our services to a broad range of clients through the expertise of over 425 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.

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, confirmed search (confirmation) trends, consultant productivity and average revenue per search are used to measure performance. Productivity is as 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 Executive Search 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 Executive Search consultants and accrue variable compensation accordingly. The amount of variable compensation that is accrued for each Executive Search 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.

At the Heidrick Consulting consultant level, there are also fixed and variable components of compensation. Overall compensation is determined based on the total economic contribution of the Heidrick Consulting segment to the business as a whole. Individual consultant compensation can vary and is derived from credits earned for delivering client work plus credits earned for contributions of intellectual and human capital, client relationship development and consulting practice development. Each quarter, we review and update the expected annual performance of all Heidrick Consulting consultants and accrue variable compensation accordingly.

The mix of individual consultants who generate revenue in Executive Search and economic contributions in Heidrick Consulting 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 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.

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 encourage all 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 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. 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, 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 and consulting 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 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.

During the year ended December 31, 2020, and as a direct result of the economic impact of COVID-19, we 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, 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 the impact of the economic downturn for additional potential impairment of goodwill, other intangible assets and long-lived assets.

We believe we have sufficient liquidity to satisfy our cash needs, however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. In the event we require additional liquidity, our 2018 Credit Agreement (as defined below) provides us with a senior unsecured revolving line of credit with an aggregate commitment of $175 million, which includes a sublimit of $25 million for letters of credit and a $10 million swingline loan sublimit. The agreement also includes a $75 million expansion feature.

In the 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 include 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.

We have not experienced any material impact to our internal controls over financial reporting due to the pandemic. We are continually monitoring and assessing the pandemic situation on our internal controls to minimize the impact on their design and operating effectiveness.

2020 Overview

Consolidated net revenue was $621.6 million for the year ended December 31, 2020, a decrease of $85.3 million, or 12.1%, compared to 2019. Executive Search net revenue was $565.2 million in 2020, a decrease of $81.2 million compared to 2019. The decrease in Executive Search net revenue was the result of declines in Asia Pacific, the Americas, and Europe. The number of Executive Search consultants was 361 as of December 31, 2020, compared to 380 as of December 31, 2019. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant was $1.5 million and $1.7 million for the years ended December 31, 2020 and 2019, respectively. The number of confirmed searches decreased 6.3%, compared to 2019. The average revenue per executive search decreased to $123,200 in 2020 compared to $132,000 in 2019. Heidrick Consulting net revenue decreased $4.1 million, or 6.8%, to $56.4 million in 2020 from $60.6 million in 2019. The number of Heidrick Consulting consultants was 65 as of December 31, 2020, compared to 71 as of December 31, 2019.

Operating loss as a percentage of net revenue was 5.7% in 2020, compared to operating income as a percentage of revenue of 9.0% in 2019. The change in operating income was primarily due to a decrease in net revenue of $85.3 million, $52.4 million of restructuring charges, and $33.0 million of impairment charges in 2020, partially offset by decreases in salaries and benefits expense, and general and administrative expenses of $51.4 million and $16.1 million, respectively. Salaries and benefits expense as a percentage of net revenue was 72.5% in 2020, compared to 71.0% in 2019. General and administrative expense as a percentage of net revenue was 19.5% in 2020, compared to 19.4% in 2019.

We ended the year with combined cash, cash equivalents, and marketable securities of $336.5 million, an increase of $3.6 million compared to $332.9 million at December 31, 2019. We pay the majority of bonuses in the first quarter following the year in which they were earned. Employee bonuses are accrued throughout the year and are based on the Company’s performance and the performance of the individual employee. We expect to pay approximately $180.4 million in bonuses related to 2020 performance in March and April 2021. In January 2021, we paid approximately $19.9 million in cash bonuses deferred in prior years.

2021 Outlook

We are currently forecasting 2021 first quarter net revenue of between $160 million and $170 million. Our 2021 first quarter guidance is based upon, among other things, management’s assumptions for the anticipated volume of new executive search confirmations and leadership consulting and culture shaping projects, the current backlog, consultant productivity, consultant retention, the seasonality of our business and average currency rates from December 2020.

Our 2021 first quarter guidance is subject to a number of risks and uncertainties, including those disclosed under "Risk Factors" and in this "Management’s Discussion and Analysis of Financial Condition and Results of Operations" included in this Form 10-K. As such, actual results could vary from these projections.

Results of Operations

The following table summarizes, for the periods indicated, the results of operations (in thousands, except per share data):

	Year Ended December 31,		
	2020	2019	2018
Revenue			
Revenue before reimbursements (net revenue)	$ 621,615	$ 706,924	$ 716,023
Reimbursements	7,755	18,690	19,632
Total revenue	629,370	725,614	735,655
Operating expenses			
Salaries and benefits	450,424	501,791	506,349
General and administrative expenses	121,378	137,492	140,817
Impairment charges(1)	32,970	—	—
Restructuring charges(2)	52,372	4,130	—
Reimbursed expenses	7,755	18,690	19,632
Total operating expenses	664,899	662,103	666,798
Operating income (loss)	(35,529)	63,511	68,857
Non-operating income			
Interest, net	204	2,880	1,141
Other, net	3,927	2,898	494
Net non-operating income	4,131	5,778	1,635
Income (loss) before taxes	(31,398)	69,289	70,492
Provision for income taxes	6,309	22,420	21,197
Net income (loss)	$ (37,707)	$ 46,869	$ 49,295
Weighted-average common shares outstanding			
Basic	19,301	19,103	18,917
Diluted	19,301	19,551	19,532
Earnings (loss) per common share			
Basic	$ (1.95)	$ 2.45	$ 2.61
Diluted	$ (1.95)	$ 2.40	$ 2.52
Cash dividends paid per share	$ 0.60	$ 0.60	$ 0.52

(1) Includes goodwill impairment charges of $33.0 million related to Europe and Asia Pacific in 2020 (See Note 8, *Goodwill and Other Intangible Assets).*

(2) Includes restructuring charges of $30.5 million in the Americas, $8.6 million in Europe, $4.6 million in Asia Pacific, $4.7 million in Heidrick Consulting, and $4.0 million in Global Operations Support. The 2019 restructuring charges include $4.1 million in the Americas and less than $0.1 million in Global Operations Support. (See Note 14, *Restructuring).*

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

	Year Ended December 31, 2020	2019	2018
Revenue			
Revenue before reimbursements (net revenue)	100.0 %	100.0 %	100.0 %
Reimbursements	1.2	2.6	2.7
Total revenue	101.2	102.6	102.7
Operating expenses			
Salaries and benefits	72.5	71.0	70.7
General and administrative expenses	19.5	19.4	19.7
Impairment charges	5.3	—	—
Restructuring charges	8.4	0.6	—
Reimbursed expenses	1.2	2.6	2.7
Total operating expenses	107.0	93.7	93.1
Operating income (loss)	(5.7)	9.0	9.6
Non-operating income			
Interest, net	—	0.4	0.2
Other, net	0.6	0.4	0.1
Net non-operating income	0.7	0.8	0.2
Income (loss) before income taxes	(5.1)	9.8	9.8
Provision for income taxes	1.0	3.2	3.0
Net income (loss)	(6.1)%	6.6 %	6.9 %

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

We operate our Executive Search business in the Americas, Europe (which includes Africa) and Asia Pacific (which includes the Middle East), and we operate our Heidrick Consulting business globally, (See Note 17, *Segment Information*).

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

	Year Ended December 31,		
	2020	2019	2018
Revenue			
Executive Search			
Americas	$ 361,416	$ 415,455	$ 405,267
Europe	124,243	135,070	145,348
Asia Pacific	79,511	95,827	102,276
Total Executive Search	565,170	646,352	652,891
Heidrick Consulting	56,445	60,572	63,132
Revenue before reimbursements (net revenue)	621,615	706,924	716,023
Reimbursements	7,755	18,690	19,632
Total revenue	$ 629,370	$ 725,614	$ 735,655
Operating income (loss)			
Executive Search			
Americas(1)	$ 62,806	$ 100,833	$ 96,880
Europe(2)	(22,827)	3,026	5,849
Asia Pacific(3)	(6,724)	13,590	15,999
Total Executive Search	33,255	117,449	118,728
Heidrick Consulting(4)	(28,369)	(18,499)	(13,619)
Total segments	4,886	98,950	105,109
Global Operations Support(5)	(40,415)	(35,439)	(36,252)
Total operating income (loss)	$ (35,529)	$ 63,511	$ 68,857

(1) Includes $30.5 million and $4.1 million of restructuring charges in 2020 and 2019, respectively.
(2) Includes $24.5 million of goodwill impairment charges and $8.6 million of restructuring charges in 2020.
(3) Includes $8.5 million of goodwill impairment charges and $4.6 million of restructuring charges in 2020.
(4) Includes $4.7 million of restructuring charges in 2020.
(5) Includes $4.0 million of restructuring charges in 2020.

Year ended December 31, 2020 compared to year ended December 31, 2019

Total revenue. Consolidated total revenue decreased $96.2 million, or 13.3%, to $629.4 million in 2020 from $725.6 million in 2019. The decrease in total revenue was primarily due to the decrease in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue decreased $85.3 million, or 12.1%, to $621.6 million in 2020 from $706.9 million in 2019. Foreign exchange rates negatively impacted results by $0.9 million, or 0.1%. Executive Search net revenue was $565.2 million in 2020, a decrease of $81.2 million, or 12.6%, compared to 2019. The decrease in Executive Search net revenue was the result of declines in all three executive search regions. Heidrick Consulting net revenue decreased $4.1 million, or 6.8%, to $56.4 million in 2020 from $60.6 million in 2019. Both Executive Search revenue and Heidrick Consulting revenue were materially impacted by the ongoing COVID-19 pandemic. Significant factors contributing to the decline in revenue include 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.

The number of Executive Search and Heidrick Consulting consultants was 361 and 65, respectively, as of December 31, 2020, compared to 380 and 71, respectively, as of December 31, 2019. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $1.5 million and $1.7 million for the years ended December 31, 2020 and 2019, respectively. The number of confirmed searches decreased 6.3%, compared to 2019. The average revenue per executive search decreased to $123,200 in 2020 compared to $132,000 in 2019.

Salaries and benefits. Consolidated salaries and benefits expense decreased $51.4 million, or 10.2%, to $450.4 million in 2020 from $501.8 million in 2019. The decrease was due to lower fixed compensation of $13.5 million and lower variable compensation of $37.9 million. Fixed compensation decreased due retirement and benefits, and talent acquisition and retention costs, partially offset by an increase in base salaries and payroll taxes. Variable compensation decreased due to lower production compared to the prior year. Foreign exchange rate fluctuations positively impacted salaries and benefits expenses by $1.5 million, or 0.3%.

In 2020, we had an average of 1,708 employees, compared to an average of 1,680 employees in 2019.

As a percentage of net revenue, salaries and benefits expense was 72.5% in 2020, compared to 71.0% in 2019.

General and administrative expenses. Consolidated general and administrative expenses decreased $16.1 million, or 11.7%, to $121.4 million in 2020 from $137.5 million in 2019. The decrease was primarily due to decreases in internal travel, office occupancy, hiring fees, marketing, intangible amortization, earnout accretion, and taxes and licenses, partially offset by increases in professional fees, information technology, and bad debt. Foreign exchange rate fluctuations positively impacted general and administrative expenses by $0.3 million, or 0.3%.

As a percentage of net revenue, general and administrative expenses were 19.5% in 2020, compared to 19.4% in 2019.

Impairment charges. In 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. Based on the results of the 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 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. The impairment charges are recorded within *Impairment charges* in the Consolidated Statements of Comprehensive Income (Loss).

Restructuring charges. The Company incurred approximately $52.4 million in restructuring charges during the year ended December 31, 2020. The primary components of the restructuring include 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 Company incurred approximately $4.1 million in restructuring charges during the year ended December 31, 2019 in connection with initiatives to integrate the Company's existing Brazil operations into the 2GET business operation. The expenses were primarily employee-related including the elimination of duplicative positions in the Company's existing Brazil operations. The restructuring charges are recorded within *Restructuring charges* in the Consolidated Statements of Comprehensive Income (Loss).

Operating income. Consolidated operating loss was $35.5 million, including impairment charges of $33.0 million and restructuring charges of $52.4 million in 2020, compared to operating income of $63.5 million, including restructuring charges of $4.1 million, in 2019. Foreign exchange rate fluctuations positively impacted operating income by $1.0 million, or 2.1%.

Net non-operating income (expense). Net non-operating income was $4.1 million in 2020, compared to $5.8 million in 2019.

Interest, net was income of $0.2 million in 2020, a $2.7 million decrease from $2.9 million in 2019. The decrease was primarily the result of reduced yields on the Company's investments in U.S. Treasury bills, lower overall par value throughout the year on which interest could be earned, and interest paid on the credit facility.

Other, net was income of $3.9 million in 2020, compared to $2.9 million in 2019. The increase was primarily the result of gains on the deferred compensation plan assets. Investments held in the Company's deferred compensation plan are recorded at fair value.

Income taxes. See Note 15*, Income Taxes*.

Executive Search

Americas

The Americas reported net revenue of $361.4 million in 2020, a decrease of 13.0% from $415.5 million in 2019. The decrease in net revenue was due to a 2.6% decrease in the number of executive search confirmations and a decrease in average revenue per executive search. All industry practice groups contributed to the decline in revenue with the exception of the Life Sciences practice group. Foreign exchange fluctuations negatively impacted net revenue by $2.0 million, or 0.6%. There were 190 Executive Search consultants in the Americas as of December 31, 2020, compared to 200 as of December 31, 2019.

Salaries and benefits expense decreased $34.7 million, or 13.3%, compared to 2019. Fixed compensation decreased $11.4 million, primarily due to decreases in retirement and benefits, talent acquisition and retention costs, and base salaries and payroll taxes. Variable compensation decreased $23.3 million primarily due to lower bonus accruals as a result of decreased consultant productivity, partially offset by contingent compensation related to the acquisition of 2GET.

General and administrative expenses decreased $7.7 million, or 15.7%, compared to 2019 due to internal travel, office occupancy, and taxes and licenses, partially offset by increases in other operating expense and bad debt.

Restructuring charges were $30.5 million in 2020. The primary components of the restructuring include a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the future elimination of certain deferred compensation programs. Restructuring charges were $4.1 million in 2019. The charges were incurred in connection with initiatives to integrate the Company's existing Brazil operations into the 2GET business operation. The expenses were primarily employee-related including the elimination of duplicative positions in the Company's existing Brazil operations.

The Americas reported operating income of $62.8 million, including restructuring charges of $30.5 million, in 2020, a decrease of $38.0 million compared to $100.8 million, including restructuring charges of $4.1 million, in 2019.

Europe

Europe reported net revenue of $124.2 million in 2020, a decrease of 8.0% from $135.1 million in 2019. The decrease in net revenue was due to a 10.2% decrease in the number of executive search confirmations. All industry practice groups contributed to the decline in revenue with the exception of the Social Impact and Life Sciences practice groups. Foreign exchange rate fluctuations positively impacted net revenue by $1.4 million, or 1.1%. There were 102 Executive Search consultants in Europe as of December 31, 2020, compared to 107 as of December 31, 2019.

Salaries and benefits expense decreased $10.9 million, or 10.8%, compared to 2019. Fixed compensation decreased $2.7 million due to retirement and benefits, and talent acquisition and retention costs, partially offset by an increase in stock compensation. Variable compensation decreased $8.2 million due to lower bonus accruals as a result of decreased consultant productivity.

General and administrative expenses decreased $7.1 million, or 23.1%, compared to 2019, due to internal travel, office occupancy, intangible amortization and earnout accretion, partially offset by increases in the use of external third-party consultants, professional fees, and bad debt.

Impairment charges in 2020 were $24.5 million as a result of an interim impairment evaluation on the goodwill of the Europe reporting unit.

Restructuring charges were $8.6 million in 2020. The primary components of the restructuring include a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the future elimination of certain deferred compensation programs.

Europe reported an operating loss of $22.8 million, including impairment and restructuring charges of $33.1 million, in 2020, a decrease of $25.9 million compared to operating income of $3.0 million in 2019.

Asia Pacific

Asia Pacific reported net revenue of $79.5 million in 2020, a decrease of 17.0% compared to $95.8 million in 2019. The decrease in net revenue was due to a 9.4% decrease in the number of executive search confirmations and a decrease in average revenue per executive search. All industry practice groups contributed to the decline in revenue with the exception of the Social Impact and Life Sciences practice groups. Foreign exchange rate fluctuations negatively impacted net revenue by $0.5 million, or 0.6%. There were 69 Executive Search consultants in Asia Pacific as of December 31, 2020, compared to 73 as of December 31, 2019.

Salaries and benefits expense decreased $7.7 million, or 12.4%, compared to 2019. Fixed compensation increased $0.8 million due to talent acquisition and retention costs, and base salaries and payroll taxes, partially offset by a decrease in retirement and benefits. Variable compensation decreased $8.5 million due to lower bonus accruals as a result of a decline in consultant productivity.

General and administrative expenses decreased $1.4 million, or 6.8%, compared to 2019 primarily due to internal travel, hiring fees, and communication services, partially offset by increases in bad debt and other operating expenses.

Impairment charges in 2020 were $8.5 million as a result of an interim impairment evaluation on the goodwill of the Asia Pacific reporting unit.

Restructuring charges were $4.6 million in 2020. The primary components of the restructuring include a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the future elimination of certain deferred compensation programs.

Asia Pacific reported an operating loss of $6.7 million, including impairment and restructuring charges of $13.1 million, in 2020, a decrease of $20.3 million compared to operating income of $13.6 million in 2019.

Heidrick Consulting

Heidrick Consulting reported net revenue of $56.4 million in 2020, a decrease of 6.8% compared to $60.6 million in 2019. The decrease in net revenue was due to an 8.8% decrease in the number of consulting confirmations and an inability to execute in person consulting engagements, partially offset by one large consulting project in the first quarter of 2020. Foreign exchange rate fluctuations positively impacted results by $0.2 million, or 0.4%. There were 65 Heidrick Consulting consultants as of December 31, 2020, compared to 71 as of December 31, 2019.

Salaries and benefits expense increased $1.5 million, or 2.6%, compared to 2019. Fixed compensation decreased $0.6 million, due to talent acquisition and retention costs, retirement and benefits, and separation, partially offset by an increase in base salaries and payroll taxes. Variable compensation increased $2.0 million due to bonus accruals on certain consulting arrangements.

General and administrative expenses decreased $0.4 million, or 1.7%, compared to 2019, due to internal travel, office occupancy, and the use of external third-party consultants, partially offset by increases in professional fees and bad debt.

Restructuring charges were $4.7 million in 2020. The primary components of the restructuring include a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the future elimination of certain deferred compensation programs.

Heidrick Consulting reported an operating loss of $28.4 million, including restructuring charges of $4.7 million, in 2020 an increase of $9.9 million compared to an operating loss of $18.5 million in 2019.

Global Operations Support

Global Operations Support expenses increased $1.0 million, or 2.8%, to $36.4 million from $35.4 million in 2019.

Salaries and benefits expenses increased $0.5 million, or 2.5%, compared to 2019 due to base salaries and payroll taxes, and separation, partially offset by decreases in retirement and benefits, and talent acquisition and retention costs.

General and administrative expenses increased $0.5 million, or 3.2%, compared to 2019 due to professional fees and information technology, partially offset by decreases in internal travel and office occupancy.

Restructuring charges were $4.0 million in 2020. The primary components of the restructuring include a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the future 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 together with the funds expected to be generated from operations and funds available under our committed revolving credit facility will be sufficient to finance our operations for 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 October 26, 2018, we entered into a new Credit Agreement (the "2018 Credit Agreement"). The 2018 Credit Agreement provides us with a senior unsecured revolving line of credit with an aggregate commitment of $175 million, which includes a sublimit of $25 million for letters of credit and a $10 million swingline loan sublimit. The agreement also includes a $75 million expansion feature. The 2018 Credit Agreement will mature in October 2023. Borrowings under the 2018 Credit Agreement bear interest at our election of the Alternate Base Rate (as defined in the 2018 Credit Agreement) or Adjusted LIBOR (as defined in the 2018 Credit Agreement) plus a spread as determined by our leverage ratio.

Borrowings under the 2018 Credit Agreement may be used for working capital, capital expenditures, Permitted Acquisitions (as defined in the 2018 Credit Agreement) and for other general purposes. The obligations under the 2018 Credit Agreement are guaranteed by certain of our subsidiaries.

We capitalized approximately $1.0 million of loan acquisition costs related to the 2018 Credit Agreement, which will be amortized over the remaining term of the agreement.

During the year ended December 31, 2020, we borrowed $100.0 million under the 2018 Credit Agreement. We elected to draw down a portion of the available funds from our revolving line of credit as a precautionary measure to increase our cash position and further enhance our financial flexibility in light of current uncertainty in the global markets resulting from the COVID-19 outbreak. We believed that we had more than sufficient liquidity, even prior to taking this action, but elected to draw down available funds out of an abundance of caution in this period of uncertainty. The draw-down proceeds from the revolving line of credit were invested in short-term securities and we subsequently repaid $100.0 million during the year ended December 31, 2020.

As of December 31, 2020 and December 31, 2019, we had no outstanding borrowings. In both periods, we were in compliance with the financial and other covenants under the facility and no event of default existed.

Cash, cash equivalents, and marketable securities. Cash, cash equivalents and marketable securities at December 31, 2020 were $336.5 million, an increase of $3.6 million compared to $332.9 million at December 31, 2019. The $336.5 million of cash, cash equivalents, and marketable securities at December 31, 2020 includes $122.8 million held by our foreign subsidiaries. A portion of the $122.8 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the United States, the repatriation of these funds could cause us to incur additional foreign withholding taxes. We expect to pay approximately $180.4 million in variable compensation related to 2020 performance in March and April 2021. In January 2021, we paid approximately $19.9 million in variable compensation that was deferred in prior years.

Cash flows provided by operating activities. For the year ended December 31, 2020, cash provided by operating activities was $23.4 million, primarily reflecting net loss net of non-cash charges of $30.6 million and a decrease in accounts receivable of $22.6 million, partially offset by a decrease in accrued expenses of $26.5 million. The decrease in accrued expenses primarily reflects approximately $202.0 million of 2019 bonuses paid in March 2020, offset by 2020 bonus accruals of $180.4 million.

For the year ended December 31, 2019, cash provided by operating activities was $78.6 million, primarily reflecting net income net of non-cash charges of $69.2 million, a decrease in accounts receivable of $6.9 million, an increase in net retirement and pension plan liabilities of $3.3 million and an increase in accrued expenses of $2.4 million. The increase in accrued expenses primarily reflects approximately $205.0 million of current year bonus accruals, partially offset by $202.0 million of bonus payments for 2018 made in early 2019.

Cash flows used in investing activities. For the year ended December 31, 2020, cash provided investing activities was $32.6 million, primarily due to proceeds from the maturity and sales of marketable securities and investments of $158.9 million, partially offset by purchases of marketable securities and investments of $118.9 million and capital expenditures of $7.3 million. The increase in capital expenditures is primarily the result of office build-outs.

For the year ended December 31, 2019, cash used in investing activities was $69.3 million, primarily due to purchases of marketable securities and investments of $130.4 million, the acquisition of 2GET for $3.5 million, and capital expenditures of $3.4 million, partially offset by proceeds from the maturity and sales of marketable securities and investments of $68.0 million. The decrease in capital expenditures is primarily the result of reduced office build-outs.

Cash flows used in financing activities. For the year ended December 31, 2020, cash used in financing activities was $16.4 million, primarily due to cash dividend payments of $12.0 million, earnout payments related to the Amrop acquisitions of $2.8 million, and payment of employee tax withholdings on equity transactions of $1.6 million. Gross borrowings and payments on the line of credit were each $100.0 million during the year ended December 31, 2020.

For the year ended December 31, 2019, cash used in financing activities was $18.2 million, primarily due to cash dividend payments of $11.8 million, payment of employee tax withholdings on equity transactions of $4.6 million, and earnout payments related to the Scambler MacGregor and DSI acquisitions of $1.9 million.

On February 11, 2008, we announced a Repurchase Authorization of up to $50 million. We may from time to time and as business conditions warrant purchase shares of our common stock on the open market or in negotiated or block trades. No time limit has been set for completion of this program. We did not repurchase any shares of our common stock in 2020 or 2019. The most recent purchase of shares of common stock occurred during the year ended December 31, 2012. As of December 31, 2020 we have purchased 1,038,670 shares of our common stock pursuant to the Repurchase Authorization for a total of $28.3 million and $21.7 million remains available for future purchases under the Repurchase Authorization.

COVID-19 Considerations We believe we have sufficient liquidity to satisfy our cash needs, however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. We expect that all of our business segments, across all of our geographies, will continue to be impacted to some degree by the pandemic and actions taken in response to the pandemic, but the significance of the impact of the pandemic on our business and liquidity, and the duration for which it may have an impact cannot be determined at this time. In the event we require additional liquidity, our 2018 Credit Agreement provides us with a senior unsecured revolving line of credit with an aggregate commitment of $175 million, which includes a sublimit of $25 million for letters of credit and a $10 million swingline loan sublimit. The agreement also includes a $75 million expansion feature.

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.

Contractual obligations. The following table presents our known contractual obligations as of December 31, 2020, and the expected timing of cash payments related to these contractual obligations (in millions):

	Payments due for the years ended December 31,						
	2021	2022	2023	2024	2025	Thereafter	Total
Contractual obligations:							
Operating lease obligations	$ 28.1	$ 25.8	$ 23.8	$ 14.0	$ 6.7	$ 30.2	$ 128.7
Asset retirement obligations (1)	0.8	0.2	0.6	1.3	0.2	0.2	3.3
Total	$ 28.9	$ 26.0	$ 24.4	$ 15.3	$ 6.9	$ 30.4	$ 132.0

(1) Represents the fair value of the obligation associated with the retirement of tangible long-lived assets primarily related to our obligation at the end of the lease term to return office space to the landlord in its original condition.

In addition to the contractual obligations included in the above table, we have liabilities related to certain employee benefit plans. These liabilities are recorded in our Consolidated Balance Sheet at December 31, 2020. The obligations related to these employee benefit plans are described in Note 11, *Employee Benefit Plans*, and Note 12, *Pension Plan and Life Insurance Contract,* in the Notes to Consolidated Financial Statements. As the timing of cash disbursements related to these employee benefit plans is uncertain, we have not included these obligations in the above table. The table excludes our liability for uncertain tax positions including accrued interest and penalties, which totaled $0.5 million as of December 31, 2020, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

Application of Critical Accounting Policies and Estimates

General. Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our 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* and Note 3, *Revenue*, in the Notes to Consolidated Financial Statements. 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, there are different estimates that reasonably could have been used, or if changes in the accounting estimates are reasonably likely to occur periodically, that could materially impact the financial statements. Management believes the following critical accounting policies reflect its more significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Revenue recognition. In our Executive Search segment, revenue is recognized as we satisfy our performance obligations by transferring a good or service to a client. Generally, each of our executive search contracts contain 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. We generally bill our 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, we are often authorized to bill the client for one-third of the excess compensation. We refer to this additional billing as uptick revenue. In most contracts, variable consideration is comprised of uptick revenue and direct expenses. We bill our clients for uptick revenue upon completion of the executive search, and direct expenses are billed as incurred.

As required under Accounting Standards Update ("ASU") No. 2014-09, we now estimate 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 record 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 that contract is known. Differences between the estimated and actual amounts of variable consideration are recorded when known. We do not estimate revenue for direct expenses as it is not materially different than recognizing revenue as direct expenses are incurred.

Revenue from our executive search engagement performance obligation is recognized over time as our clients simultaneously receive and consume the benefits provided by our 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 our obligations under the executive search contract. Revenue is generally recognized over a period of approximately six months.

Our 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 us 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 we do 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. We account for the replacement guarantee under the relevant warranty guidance in ASC 460 - Guarantees.

In our Heidrick Consulting segment, revenue is recognized as we satisfy our performance obligations 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 we expect to receive under each contract is generally fixed. Most of our 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.

We enter into enterprise agreements with clients to provide a license for online access, via our Culture Connect platform, to training and other proprietary material related to our culture shaping programs. The consideration we expect to receive under the terms of an enterprise agreement is comprised of a single fixed fee. Our 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. We allocate 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. We estimate the likelihood of renewal using a historical analysis of client renewals. Access to Culture Connect represents a right to access our intellectual property that the client simultaneously receives and consumes as we perform under the agreement, and therefore we recognize revenue over time. Given the continuous nature of this commitment, we utilize straight-line ratable revenue recognition over the estimated subscription period as our 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 our revenue.

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

Income taxes. Determining the consolidated provision for income tax expense, income tax liabilities and deferred tax assets and liabilities involves judgment. As a global company, we calculate and provide for income taxes in each of the tax jurisdictions in which we operate. This involves estimating current tax exposures in each jurisdiction as well as making judgments regarding the recoverability of deferred tax assets. Tax exposures can involve complex issues and may require an extended period to resolve. Changes in the geographic mix or estimated level of annual income before taxes can affect the overall effective tax rate.

The recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefits associated with temporary differences, net operating loss carryforwards and tax credits will be utilized. We assess the recoverability of the deferred tax assets on an ongoing basis. In making this assessment, we consider all positive and negative evidence, and all potential sources of taxable income including scheduled reversals of deferred tax liabilities, tax-planning strategies, projected future taxable income and recent financial performance.

Deferred taxes have been recorded for U.S. income taxes and foreign withholding taxes related to undistributed foreign earnings that are not permanently reinvested. Annually, we assess material changes in estimates of cash, working capital and long-term investment requirements in order to determine whether these earnings should be distributed. If so, an additional provision for taxes may apply, which could materially affect our future effective tax rate.

Goodwill. We perform assessments of the carrying value of goodwill at least annually and whenever events occur or circumstances indicate that a carrying amount of goodwill may not be recoverable. These circumstances may include a significant change in business climate, attrition of key personnel, changes in financial condition or results of operations, a prolonged decline in our stock price and market capitalization, competition, and other factors.

We operate four reporting units: the Americas, Europe (which includes Africa), Asia Pacific (which includes the Middle East) and Heidrick Consulting. The goodwill impairment test is completed by comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of each of our reporting units is determined using a discounted cash flow methodology. The discounted cash flow approach is dependent on a number of factors including estimates of future market growth and trends, forecasted revenue and costs, capital investments, appropriate discount rates, certain assumptions to allocate shared costs, assets and liabilities, historical and projected performance of our reporting units, the outlook for the executive search industry and the macroeconomic conditions affecting each of our reporting units. The assumptions used in the determination of fair value were (1) a forecast of growth in the near and long term; (2) the discount rate; (3) working capital investments; (4) macroeconomic conditions and (5) other factors. We base our fair value estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. The fair value of our reporting units is also impacted by our overall market capitalization and may be impacted by volatility in our stock price and assumed control premium, among other factors. As a result, actual future results may differ from those estimates and may result in a future impairment charge. These assumptions are updated annually, at a minimum, to reflect information concerning our reportable segments. The Company continues to monitor potential triggering events including changes in the business climate in which it operates, the Company's market capitalization compared to its book value, and the Company's recent operating performance. Any changes in these factors could result in an impairment charge. An impairment charge is recognized for the amount by which the carrying value of a reporting unit exceeds its fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit.

We believe that the accounting estimate related to goodwill impairment is a critical accounting estimate because the assumptions used are highly susceptible to changes in the operating results and cash flows of our reportable segments.

Other intangible assets and long-lived assets. We review our other intangible assets and long-lived assets, including property and equipment and right-of-use assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge, equal to the amount by which the carrying amount of the asset group exceeds the fair value of the asset group, is recognized.

We believe that the accounting estimate related to other intangible and long-lived asset impairment is a critical accounting estimate because the assumptions used are highly susceptible to changes in operating results and cash flows.

Recently Adopted Financial Accounting Standards

On January 1, 2020, we adopted ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, and all related ASU amendments, using the modified retrospective method. The guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The adoption had an immaterial impact on the Consolidated Statement of Comprehensive Income (Loss), Consolidated Balance Sheet, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Stockholders' Equity for the year ended December 31, 2020.

Recent Financial Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued 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.

In December 2019, the FASB, issued 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 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 guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

Quarterly Financial Information (Unaudited)

The following table sets forth certain financial information for each quarter of 2020 and 2019. The information is derived from our quarterly consolidated financial statements which are unaudited but which, in the opinion of management, have been prepared on the same basis as the audited annual consolidated financial statements included in this document. The consolidated financial data shown below should be read in conjunction with the consolidated financial statements and notes thereto. The operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended							
	2020				2019			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Revenue before reimbursements (net revenue)	$ 171,481	$ 145,603	$ 143,544	$ 160,987	$ 171,594	$ 173,122	$ 182,174	$ 180,034
Operating income (loss) (1)	18,152	(23,986)	(38,233)	8,538	16,391	18,353	14,472	14,295
Income (loss) before income taxes	14,396	(21,249)	(36,594)	12,049	18,842	19,473	14,827	16,147
Provision for (benefit from) income taxes	5,730	4,484	(10,416)	6,511	6,755	5,193	4,880	5,592
Net income (loss)	$ 8,666	$ (25,733)	$ (26,178)	$ 5,538	$ 12,087	$ 14,280	$ 9,947	$ 10,555
Basic earnings (loss) per common share	$ 0.45	$ (1.33)	$ (1.35)	$ 0.29	$ 0.64	$ 0.75	$ 0.52	$ 0.55
Diluted earnings (loss) per common share	$ 0.44	$ (1.33)	$ (1.35)	$ 0.28	$ 0.62	$ 0.73	$ 0.51	$ 0.54
Cash dividends paid per share	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15

(1) Includes $33.0 million of goodwill impairment charges for the three months ended June 30, 2020. Includes $48.1 million of restructuring charges for the three months ended September 30, 2020. Includes $4.3 million of restructuring charges for the three months ended December 31, 2020. Includes $4.1 million of restructuring charges for the three months ended September 30, 2019.

ITEM 7A. 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. A 10% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our 2020 net income by approximately $4.4 million. 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. Based on balances exposed to fluctuation in exchange rates as of December 31, 2020, a 10% increase or decrease equally in the value of currencies could result in a foreign exchange gain or loss of approximately $0.2 million. In addition, 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. For financial information by segment, see Note 17, *Segment Information*, in the Notes to Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Heidrick & Struggles International, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Heidrick & Struggles International, Inc. (the Company) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 24, 2021, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters
The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition
As described in Note 3 of the consolidated financial statements, revenue before reimbursements from executive search and from consulting engagements of $565,170,000 and $56,445,000, respectively, 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 or consulting contract. This requires management to make significant estimates including the amount of effort extended over certain defined time periods of the executive search or consulting engagement. The transaction price for executive search engagements generally includes variable consideration, known as uptick revenue, in addition to fixed consideration. The Company estimates the amount of uptick revenue at contract inception based on a portfolio approach utilizing the expected value method based on a historical analysis. This requires management to make significant estimates including the average amount of uptick revenue earned on an executive search engagement. Changes in the assumptions used in these estimates could have a significant impact on the revenue recognized during the period.

We identified the Company's revenue recognition from executive search and consulting engagements as a critical audit matter because of certain significant assumptions management makes when estimating progress over time for executive search and consulting engagements, and estimating the average uptick revenue earned on executive search engagements. Auditing these assumptions involved a high degree of judgement and subjectivity as changes in these assumptions could have a significant impact on the amount of revenue recognized.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the assumptions involved in estimating progress over time for executive search and consulting engagements, and estimating the average uptick revenue earned on executive search engagements included the following, among others:

- We obtained an understanding of the relevant controls related to management's estimates of progress over time and average uptick revenue, such as internal controls related to management's review of the completeness and accuracy of data compiled and used in the estimate vs. excluded from the estimate, and tested such controls for design and operating effectiveness.
- We evaluated whether the historical data utilized to estimate progress over time was complete and accurate based on historical time studies, on a sample basis.
- We evaluated the estimate of the average uptick revenue on executive search engagements by comparing the estimate to historical data of the total uptick revenue billed and total retainer fee for a sample of executive search engagements.
- We selected a sample of contracts and performed the following procedures:
    - Obtained and read contract source documents for each selection.
    - Tested management's identification of significant terms for completeness, including the identification of distinct performance obligations and variable consideration.
    - Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of their accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.
    - Tested the mathematical accuracy of management's revenue calculations and recalculated deferred revenue at period end, if any.

Goodwill

As described in Note 8 of the consolidated financial statements, the Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company's fair value estimate for each reporting unit is based on the present value of estimated future cash flows attributable to the respective reporting unit. This requires management to make significant estimates and assumptions including estimates of future growth rates, operating margins and discount rates based on the estimated weighted average cost of capital for the business. Changes in these assumptions could have a significant impact on the fair value, which could have an impact on the impairment charge, if any. The Company, as a direct result of the economic impact of COVID-19, experienced a decline in demand for the Company's executive search and consulting services, and determined that it was more likely than not that an impairment occurred during 2020. Accordingly, the Company performed an interim impairment assessment of its reporting units as of April 30, 2020. In the impairment test, the Europe and Asia Pacific reporting units had a carrying value that exceeded their estimated fair values. As a result, an impairment charge of $32,970,000 was recorded in the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020. Key financial assumptions used to determine the fair value of the reporting units were developed by management.

We identified the valuation of goodwill as a critical audit matter because of certain significant assumptions management makes in determining the estimate, including revenue, profit margin and terminal growth rate projections and the discount rate. Auditing management's assumptions of revenue, profit margin and terminal growth rate projections and the discount rate involved a high degree of auditor judgment and increased audit effort, including the use of a valuation specialist, as changes in these assumptions could have a significant impact on the fair value of the reporting units and potential impairment charges.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the projections of future revenue growth rates, profit margins, the terminal growth rate and the determination of the discount rate for each of the reporting units included the following, among others:

- We obtained an understanding of the relevant controls related to the development of forecasts of revenue, profit margin and terminal growth rates and the selection of the reporting unit specific discount rate and tested such controls for design and operating effectiveness.
- We evaluated management's ability to accurately forecast revenue and profit margin projections by comparing management's prior forecasts to historical results for the Company.

- We evaluated the reasonableness of management’s forecasted revenue, profit margin and growth rates by comparing the projections to historic results and industry expectations.
- We evaluated the impact of changes to significant assumptions on the fair value of the respective reporting unit.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate and tested the relevance and reliability of source information underlying the determination of the rate, tested the mathematical accuracy of the calculation, and performed sensitivities by analyzing the break-even discount rate and compared those to the rate selected by management.

/s/ RSM US LLP

We have served as the Company's auditor since 2018.

Chicago, Illinois
February 24, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Heidrick & Struggles International, Inc.

Opinion on the Internal Control Over Financial Reporting

We have audited Heidrick & Struggles International, Inc.'s (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income (loss), changes in stockholders' equity and cash flows of the Company for each of the three years in the period ended December 31, 2020, and our report dated February 24, 2021 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Chicago, Illinois
February 24, 2021

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

	December 31, 2020	December 31, 2019
Current assets		
Cash and cash equivalents	$ 316,473	$ 271,719
Marketable securities	19,999	61,153
Accounts receivable, net of allowances of $6,557 and $5,140, respectively	88,123	109,163
Prepaid expenses	18,956	20,185
Other current assets	23,279	27,848
Income taxes recoverable	5,856	4,414
Total current assets	472,686	494,482
Non-current assets		
Property and equipment, net	23,492	28,650
Operating lease right-of-use assets	92,671	99,391
Assets designated for retirement and pension plans	14,425	13,978
Investments	31,369	25,409
Other non-current assets	24,439	20,434
Goodwill	91,643	126,831
Other intangible assets, net	1,129	1,935
Deferred income taxes, net	35,958	33,063
Total non-current assets	315,126	349,691
Total assets	$ 787,812	$ 844,173
Current liabilities		
Accounts payable	$ 8,799	$ 8,633
Accrued salaries and benefits	217,908	234,306
Deferred revenue	38,050	41,267
Operating lease liabilities	28,984	30,955
Other current liabilities	23,311	26,253
Income taxes payable	1,186	3,928
Total current liabilities	318,238	345,342
Non-current liabilities		
Accrued salaries and benefits	56,925	59,662
Retirement and pension plans	53,496	46,032
Operating lease liabilities	86,816	79,388
Other non-current liabilities	4,735	4,634
Total non-current liabilities	201,972	189,716
Total liabilities	520,210	535,058
Commitments and contingencies (Note 19)		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued at December 31, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 19,359,586 and 19,165,954 shares outstanding at December 31, 2020 and December 31, 2019, respectively	196	196
Treasury stock at cost, 226,191 and 419,823 shares at December 31, 2020 and December 31, 2019, respectively	(8,041)	(14,795)
Additional paid in capital	231,048	228,807
Retained earnings	40,982	91,083
Accumulated other comprehensive income	3,417	3,824
Total stockholders' equity	267,602	309,115
Total liabilities and stockholders' equity	$ 787,812	$ 844,173

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

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

	December 31, 2020	December 31, 2019	December 31, 2018
Revenue			
Revenue before reimbursements (net revenue)	$ 621,615	$ 706,924	$ 716,023
Reimbursements	7,755	18,690	19,632
Total revenue	629,370	725,614	735,655
Operating expenses			
Salaries and benefits	450,424	501,791	506,349
General and administrative expenses	121,378	137,492	140,817
Impairment charges	32,970	—	—
Restructuring charges	52,372	4,130	—
Reimbursed expenses	7,755	18,690	19,632
Total operating expenses	664,899	662,103	666,798
Operating income (loss)	(35,529)	63,511	68,857
Non-operating income			
Interest, net	204	2,880	1,141
Other, net	3,927	2,898	494
Net non-operating income	4,131	5,778	1,635
Income (loss) before income taxes	(31,398)	69,289	70,492
Provision for income taxes	6,309	22,420	21,197
Net income (loss)	(37,707)	46,869	49,295
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	82	844	(3,885)
Net unrealized gain (loss) on available-for-sale investments	(13)	13	—
Pension gain (loss) adjustment	(476)	(1,095)	721
Other comprehensive loss, net of tax	(407)	(238)	(3,164)
Comprehensive income (loss)	$ (38,114)	$ 46,631	$ 46,131
Weighted-average common shares outstanding			
Basic	19,301	19,103	18,917
Diluted	19,301	19,551	19,532
Earnings (loss) per common share			
Basic	$ (1.95)	$ 2.45	$ 2.61
Diluted	$ (1.95)	$ 2.40	$ 2.52
Cash dividends paid per share	$ 0.60	$ 0.60	$ 0.52

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

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

	Year Ended December 31,		
	2020	**2019**	**2018**
Cash flows - operating activities			
Net income (loss)	$ (37,707)	$ 46,869	$ 49,295
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	26,656	10,371	12,522
Deferred income taxes	(1,680)	1,644	(3,496)
Stock-based compensation expense	10,199	10,298	8,947
Accretion expense related to earnout payments	—	668	1,285
Impairment charges	32,970	—	—
Gain on marketable securities	(154)	(595)	—
Loss on disposal of property and equipment	287	—	—
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	22,644	6,899	(16,759)
Accounts payable	451	(994)	(526)
Accrued expenses	(26,513)	2,441	71,526
Restructuring accrual	2,479	1,959	(11,617)
Deferred revenue	(3,688)	175	(1,899)
Income taxes recoverable (payable), net	(4,016)	(5,450)	757
Retirement and pension plan assets and liabilities	1,794	3,258	(1,492)
Prepaid expenses	1,642	(455)	(893)
Other assets and liabilities, net	(2,011)	1,557	(4,748)
Net cash provided by operating activities	23,353	78,645	102,902
Cash flows - investing activities			
Acquisition of business, net of cash acquired	—	(3,520)	(3,083)
Capital expenditures	(7,322)	(3,352)	(5,960)
Purchases of available for sale investments	(118,904)	(130,411)	(2,201)
Proceeds from sale of available for sale investments	158,852	67,968	2,995
Net cash provided by (used in) investing activities	32,626	(69,315)	(8,249)
Cash flows - financing activities			
Proceeds from line of credit	100,000	—	20,000
Payments on line of credit	(100,000)	—	(20,000)
Debt issuance costs	—	—	(981)
Cash dividends paid	(12,063)	(11,835)	(10,181)
Payment of employee tax withholdings on equity transactions	(1,550)	(4,552)	(2,234)
Acquisition earnout payments	(2,789)	(1,853)	(3,592)
Net cash used in financing activities	(16,402)	(18,240)	(16,988)
Effect of exchange rates fluctuations on cash, cash equivalents and restricted cash	5,193	367	(5,565)
Net increase (decrease) in cash, cash equivalents and restricted cash	44,770	(8,543)	72,100
Cash, cash equivalents and restricted cash at beginning of period	271,719	280,262	208,162
Cash, cash equivalents and restricted cash at end of period	$ 316,489	$ 271,719	$ 280,262
Supplemental disclosures of cash flow information			
Cash paid for			
Income taxes	$ 12,154	$ 27,338	$ 22,616
Interest	$ 761	$ —	$ 67

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

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

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2017	**19,586**	**$ 196**	**805**	**$ (26,096)**	**$ 226,006**	**$ (716)**	**$ 13,315**	**$ 212,705**
Net income	—	—	—	—	—	49,295	—	49,295
Adoption of accounting standards	—	—	—	—	—	15,043	(6,089)	8,954
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3,164)	(3,164)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	8,947	—	—	8,947
Vesting of equity, net of tax withholdings	—	—	(167)	5,604	(7,837)	—	—	(2,233)
Re-issuance of treasury stock	—	—	(6)	194	31	—	—	225
Cash dividends declared ($0.39 per share)	—	—	—	—	—	(7,389)	—	(7,389)
Dividend equivalents on restricted stock units	—	—	—	—	—	(184)	—	(184)
Balance at December 31, 2018	**19,586**	**196**	**632**	**(20,298)**	**227,147**	**56,049**	**4,062**	**267,156**
Net income	—	—	—	—	—	46,869	—	46,869
Other comprehensive loss, net of tax	—	—	—	—	—	—	(238)	(238)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	10,298	—	—	10,298
Vesting of equity, net of tax withholdings	—	—	(163)	5,154	(9,706)	—	—	(4,552)
Re-issuance of treasury stock	—	—	(49)	349	1,068	—	—	1,417
Cash dividends declared ($0.60 per share)	—	—	—	—	—	(11,461)	—	(11,461)
Dividend equivalents on restricted stock units	—	—	—	—	—	(374)	—	(374)
Balance at December 31, 2019	**19,586**	**196**	**420**	**(14,795)**	**228,807**	**91,083**	**3,824**	**309,115**
Net loss	—	—	—	—	—	(37,707)	—	(37,707)
Adoption of accounting standards	—	—	—	—	—	(332)	—	(332)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(407)	(407)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	10,199	—	—	10,199
Vesting of equity, net of tax withholdings	—	—	(179)	6,225	(7,775)	—	—	(1,550)
Re-issuance of treasury stock	—	—	(15)	529	(183)	—	—	346
Cash dividends declared ($0.60 per share)	—	—	—	—	—	(11,576)	—	(11,576)
Dividend equivalents on restricted stock units	—	—	—	—	—	(486)	—	(486)
Balance at December 31, 2020	**19,586**	**$ 196**	**226**	**$ (8,041)**	**$ 231,048**	**$ 40,982**	**$ 3,417**	**$ 267,602**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All tables in thousands, except share and per share figures)

1. Basis of Presentation

Heidrick & Struggles International, Inc. and subsidiaries (the "Company") is engaged in providing executive search and consulting services to clients on a retained basis. The Company operates in the Americas, Europe and Asia Pacific regions.

The consolidated financial statements include Heidrick & Struggles International, Inc. and its wholly owned subsidiaries and have been prepared using accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Significant items subject to estimates and assumptions include revenue recognition, allowances for deferred tax assets and liabilities, 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.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Marketable Securities

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

Concentration of Risk

The Company is potentially exposed to concentrations of risk associated with its accounts receivable. However, this risk is limited due to the Company's large number of clients and their dispersion across many different industries and geographies. At December 31, 2020 and 2019, the Company had no significant concentrations of risk.

Accounts Receivable

The Company's accounts receivable consists of trade receivables. 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 customers' trade accounts receivables. These factors may change over time, impacting the allowance level. See Note 4, *Credit Losses*.

Fair Value of Financial Instruments

Cash equivalents are stated at cost, which approximates fair value. The carrying value for receivables from clients, accounts payable, deferred revenue and other accrued liabilities reasonably approximate fair value due to the nature of the financial instruments and the short-term nature of the items.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset or, for leasehold improvements, the shorter of the lease term or the estimated useful life of the asset, as follows:

Office furniture, fixtures and equipment	5–10 years
Computer equipment and software	3–7 years

Leasehold improvements are depreciated over the lesser of the lease term or life of the asset improvement, which typically range from three to ten years.

Depreciation is calculated for tax purposes using accelerated methods, where applicable.

Other Intangible Assets and Long Lived Assets

The Company reviews its other intangible assets and long-lived assets, including property and equipment and right-of-use assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge, equal to the amount by which the carrying amount of the asset group exceeds the fair value of the asset group, is recognized. The Company evaluated the recoverability of its other intangible assets and long-lived assets during the three months ended June 30, 2020 and determined that the other intangible assets and long-lived assets were recoverable. The Company continues to monitor the impact of the economic downturn resulting from COVID-19 for additional potential impairment indicators related to other intangible assets and long-lived assets.

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 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.

Investments

The Company’s investments consist primarily of available-for-sale investments within the U.S. non-qualified deferred compensation plan (the “Plan”).

Available-for-sale investments are reported at fair value with changes in unrealized gains (losses) and realized gains (losses) recorded as a non-operating expense in *Other, net* in the Consolidated Statements of Comprehensive Income (Loss).

Goodwill

Goodwill represents the difference between the purchase price of acquired companies and the related fair value of the net assets acquired, which is accounted for by the acquisition method of accounting. The Company performs assessments of the carrying value of goodwill at least annually and whenever events occur or circumstances indicate that a carrying amount of goodwill may not be recoverable. These circumstances include a significant change in business climate, attrition of key personnel, changes in financial condition or results of operations, a prolonged decline in the Company’s stock price and market capitalization, competition, and other factors.

The goodwill impairment test compares the fair value of a reporting unit to its carrying amount, including goodwill. The Company operates four reporting units: Americas, Europe (which includes Africa), Asia Pacific (which includes the Middle East) and Heidrick Consulting. The goodwill impairment test is completed by comparing the fair value of a reporting unit with its carrying amount. The fair value of each of the Company’s reporting units is determined using a discounted cash flow methodology. An impairment charge is recognized for the amount by which the carrying value of the reporting unit exceeds its fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit.

During the three months ended June 30, 2020, and as a direct result of the economic impact of the COVID-19 pandemic, the Company 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 negative impact on our results of operations. As a result, the Company identified a triggering event and performed an interim goodwill impairment evaluation during the three months ended June 30, 2020.

During the impairment evaluation process, the Company used a discounted cash flow methodology to estimate the fair value of its reporting units. The discounted cash flow approach is dependent on a number of factors, including estimates of future market growth and trends, forecasted revenue and costs, capital investments, appropriate discount rates, certain assumptions to allocate shared costs, assets and liabilities, historical and projected performance of the reporting unit, and the macroeconomic conditions affecting each of the Company's reporting units. The assumptions used in the determination of fair value were (1) a forecast of growth in the near and long term; (2) the discount rate; (3) working capital investments; (4) macroeconomic conditions and (5) other factors.

Based on the results of the impairment evaluation, the Company determined that the goodwill within the Europe and Asia Pacific reporting units was impaired, which resulted in 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 Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 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.

The Company continues to monitor potential triggering events for its Americas reporting unit including changes in the business climate in which it operates, the Company's market capitalization compared to its book value, and the Company's recent operating performance. Any changes in these factors could result in a further impairment charge.

Restructuring Charges

The Company accounts for restructuring charges by recognizing a liability at fair value when the costs are incurred.

Revenue Recognition

See Note 3, *Revenue*.

Reimbursements

The Company incurs certain out-of-pocket expenses that are reimbursed by its clients, which are accounted for as revenue and expense in its Consolidated Statements of Comprehensive Income (Loss).

Salaries and Benefits

Salaries and benefits consist of compensation and benefits paid to consultants, executive officers, and administrative and support personnel, of which the most significant elements are salaries and annual performance-related bonuses. Other items in this category are expenses related to sign-on bonuses, forgivable employee loans and minimum guaranteed bonuses (often incurred in connection with the hiring of new consultants), restricted stock unit and performance share unit amortization, payroll taxes, profit sharing and retirement benefits, and employee insurance benefits.

Salaries and benefits are recognized on an accrual basis. Certain sign-on bonuses, retention awards, and minimum guaranteed compensation are capitalized and amortized in accordance with the terms of the respective agreements.

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 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.

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the tax differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Earnings per Common Share

Basic earnings per common share is computed by dividing net income by weighted average common shares outstanding for the year. Diluted earnings 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 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:

	December 31, 2020	December 31, 2019	December 31, 2018
Net income (loss)	$ (37,707)	$ 46,869	$ 49,295
Weighted average shares outstanding:			
Basic	19,301	19,103	18,917
Effect of dilutive securities:			
Restricted stock units	—	285	406
Performance stock units	—	163	209
Diluted	19,301	19,551	19,532
Basic earnings (loss) per share	$ (1.95)	$ 2.45	$ 2.61
Diluted earnings (loss) per share	$ (1.95)	$ 2.40	$ 2.52

Weighted average restricted stock units and performance stock units outstanding that could be converted into approximately 472,000 and 120,000 common shares, respectively, for the year ended December 31, 2020, were not included in the computation of diluted earnings per share because the effects would be anti-dilutive.

Translation of Foreign Currencies

The Company generally designates the local currency for all its subsidiaries as the functional currency. The Company translates the assets and liabilities of its subsidiaries into U.S. dollars at the current rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at a monthly average exchange rate for the period. Translation adjustments are reported as a component of *Accumulated other comprehensive income*.

Restricted Cash

Periodically, the Company is party to agreements with terms that required the Company to restrict cash through the termination dates of the agreements. Current and non-current restricted cash is included in Other current assets and Other non-current assets, respectively, in the Consolidated Balance Sheets.

The following table provides a reconciliation of the cash and cash equivalents between the Consolidated Balance Sheets and the Consolidated Statement of Cash Flows as of December 31, 2020, 2019 and 2018:

	December 31,		
	2020	2019	2018
Cash and cash equivalents	$ 316,473	$ 271,719	$ 279,906
Restricted cash included within other current assets	—	—	108
Restricted cash included within other non-current assets	16	—	248
Total cash, cash equivalents and restricted cash	$ 316,489	$ 271,719	$ 280,262

Recently Issued Financial Accounting Standards

In March 2020, the FASB issued 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.

In December 2019, the FASB, issued 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 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 guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Early adoption is permitted. 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, 2020, the Company adopted ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, and all related ASU amendments, using the modified retrospective method. The guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The adoption had an immaterial impact on the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Stockholders' Equity for the year ended December 31, 2020.

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 are 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 our 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.

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 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 and Heidrick Consulting 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 our contract asset and liability balances for the years ended:

	December 31,		
	2020	2019	Change
Contract assets			
Unbilled receivables	$ 9,907	$ 7,585	$ 2,322
Contract assets	9,745	14,672	(4,927)
Total contract assets	19,652	22,257	(2,605)
Contract liabilities			
Deferred revenue	$ 38,050	$ 41,267	$ (3,217)

During the year ended December 31, 2020, we recognized revenue of $36.2 million that was included in the contract liabilities balance at the beginning of the period. The amount of revenue recognized during the year ended December 31, 2020, from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $16.7 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 and consulting 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 customers' 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 customers that have a higher probability of default. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' 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:

	December 31, 2020	December 31, 2019	December 31, 2018
Balance at January 1,	$ 5,140	$ 3,502	$ 2,534
Provision for credit losses	6,696	5,900	3,790
Write-offs	(5,418)	(4,270)	(2,708)
Foreign currency translation	139	8	(114)
Balance at December 31,	$ 6,557	$ 5,140	$ 3,502

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 December 31, 2020	Fair Value	Unrealized Loss	Cash and Cash Equivalents	Marketable Securities
U.S. Treasury securities	$ 31,997	$ 1	$ 31,997	$ —

The unrealized loss on one investment in U.S. Treasury securities at December 31, 2020 was caused by fluctuations in market interest rates. The contractual cash flows of these investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the investments would not be settled at a price less than the amortized cost basis. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before the recovery of the amortized cost basis. There were no investments with unrealized losses at December 31, 2019.

5. Property and Equipment, net

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

	December 31, 2020	December 31, 2019
Leasehold improvements	$ 40,320	$ 47,269
Office furniture, fixtures and equipment	14,816	17,740
Computer equipment and software	25,544	27,531
Property and equipment, gross	80,680	92,540
Accumulated depreciation	(57,188)	(63,890)
Property and equipment, net	$ 23,492	$ 28,650

Depreciation expense for the years ended December 31, 2020, 2019 and 2018, was $8.1 million, $9.5 million and $11.0 million, respectively.

Additionally, as part of the Company's restructuring plan, property and equipment located at certain of the Company's offices was abandoned and the useful life of the assets were shortened to correspond with the cease-use date. As a result of the change in the useful life, approximately $4.2 million of depreciation expense was accelerated and recorded in *Restructuring charges* in the Consolidated Statements of Comprehensive Income (Loss) and *Depreciation and amortization* in the Consolidated Statements of Cash Flows during the year ended December 31, 2020.

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 our lease term.

As most of the Company's leases do not provide an implicit interest rate, the Company utilizes its 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; 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 1 year to 12.5 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.

As part of the Company's restructuring plan, lease components related to certain of the Company's offices were 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 the useful life, approximately $13.7 million of right-of-use asset amortization was accelerated and recorded in *Restructuring charges* in the Consolidated Statements of Comprehensive Income (Loss) and *Depreciation and amortization* in the Consolidated Statements of Cash Flows during the year ended December 31, 2020.

Equipment leases, which are comprised of vehicle and office equipment leases, have remaining terms that range from less than 1 year to 5.0 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 Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, were as follows:

	December 31,	
	2020	2019
Operating lease cost	$ 22,227	$ 24,928
Variable lease cost	6,047	7,932
Total lease cost	$ 28,274	$ 32,860

Rent expense, as previously defined under ASC 840, which includes the base rent, maintenance costs, operating expenses and real estate taxes, and the costs of equipment leases for the year ended December 31, 2018, was $33.2 million.

Supplemental cash flow information related to the Company's operating leases for the year ended December 31, is as follows:

	December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 31,573	$ 33,797
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 31,829	$ 19,640

The weighted average remaining lease term and weighted average discount rate for our operating leases as of December 31, is as follows:

	December 31,	
	2020	2019
Weighted Average Remaining Lease Term		
Operating leases	6.0 years	4.7 years
Weighted Average Discount Rate		
Operating leases	3.5 %	3.9 %

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

	Operating Lease Maturity
2021	$ 28,089
2022	25,803
2023	23,822
2024	14,030
2025	6,726
Thereafter	30,226
Total lease payments	128,696
Less: Interest	(12,896)
Present value of lease liabilities	$ 115,800

The Company has an obligation at the end of the lease term to return certain offices to the landlord in its original condition, which is recorded at fair value at the time the liability is incurred. The Company had $3.3 million and $3.0 million of asset retirement obligations as of December 31, 2020 and 2019, respectively, which are recorded within *Other current liabilities* and *Other non-current liabilities* in the Consolidated Balance Sheets.

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 and commercial paper, 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 Consolidated Balance Sheets until realized.

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

	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

	Fair Value				Balance Sheet Classification	
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Balance at December 31, 2019						
Cash					$ 177,493	$ —
Level 1[(1)]:						
Money market funds					15,661	—
U.S. Treasury securities	139,705	13	—	139,718	78,565	61,153
Total Level 1	139,705	13	—	139,718	94,226	61,153
Total	$ 139,705	$ 13	$ —	$ 139,718	$ 271,719	$ 61,153

(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 $19.5 million and $17.2 million as of December 31, 2020 and December 31, 2019, 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 on a recurring basis:

		Balance Sheet Classification					
	Fair Value	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)

		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 December 31, 2019												
Level 1[(1)]:												
U.S. non-qualified deferred compensation plan	$	25,409	$	—	$	—	$	25,409	$	—	$	—
Level 2[(2)]:												
Retirement and pension plan assets		15,296		1,318		13,978		—		—		—
Pension benefit obligation		(20,918)		—		—		—		(1,318)		(19,600)
Total Level 2		(5,622)		1,318		13,978		—		(1,318)		(19,600)
Total	$	19,787	$	1,318	$	13,978	$	25,409	$	(1,318)	$	(19,600)

(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, resulting in the revised total goodwill of $91.6 million and an impairment charge of $33.0 million in earnings.

Contingent Consideration

The former owners of the Company's acquisitions are eligible to receive additional cash consideration based on the attainment of certain operating metrics in the periods subsequent to acquisition. Contingent consideration is 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 using discounted cash flow models. Contingent consideration is recorded within non-current *Accrued salaries and benefits* in the Consolidated Balance Sheets.

The following table provides a reconciliation of the beginning and ending balance of Level 3 liabilities for the year ended December 31, 2020:

	Acquisition Earnout Accruals		Contingent Compensation Accruals	
Balance at December 31, 2019	$	(5,278)	$	(618)
Earnout accretion/compensation expense		—		(1,942)
Payments		5,051		—
Foreign currency translation		227		170
Balance at December 31, 2020	$	—	$	(2,390)

Goodwill

Goodwill represents the difference between the purchase price of acquired companies and the related fair value of the net assets acquired, which is accounted for by the acquisition method of accounting. The Company performs assessments of the carrying value of goodwill at least annually and whenever events occur or circumstances indicate that a carrying amount of goodwill may not be recoverable. During the three months ended June 30, 2020, an interim goodwill impairment evaluation was conducted to determine the fair value of goodwill resulting in an impairment of $33.0 million. On October 31, 2020, the Company conducted its annual goodwill impairment evaluation in accordance with ASU No. 2017-04, Intangibles - Goodwill and Other, which indicated that the fair value of the Americas reporting unit was in excess of its carrying value and no impairment was necessary. Goodwill is 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 goodwill using discounted cash flow models.

The following table provides a reconciliation of the beginning and ending balance of Level 3 assets for the twelve months ended December 31, 2020:

		Goodwill
Balance at December 31, 2019	$	126,831
Impairment		(32,970)
Foreign currency translation		(2,218)
Balance at December 31, 2020	$	91,643

8. Goodwill and Other Intangible Assets

Goodwill

The Company's goodwill by segment is as follows:

		December 31, 2020		December 31, 2019
Executive Search				
Americas	$	91,643	$	92,497
Europe		—		25,579
Asia Pacific		—		8,755
Total goodwill	$	91,643	$	126,831

Changes in the carrying amount of goodwill by segment for the years ended December 31, 2020, 2019, and 2018 were as follows:

	Executive Search			
	Americas	Europe	Asia Pacific	Total
Goodwill	$ 88,690	$ 20,900	$ 9,302	$ 118,892
Accumulated impairment losses	—	—	—	—
Balance at December 31, 2017	88,690	20,900	9,302	118,892
Amrop acquisition	—	5,478	—	5,478
Foreign currency translation	(280)	(1,454)	(544)	(2,278)
Balance at December 31, 2018	88,410	24,924	8,758	122,092
2GET acquisition	3,793	—	—	3,793
Foreign currency translation	294	655	(3)	946
Balance at December 31, 2019	92,497	25,579	8,755	126,831
Impairment	—	(24,475)	(8,495)	(32,970)
Foreign currency translation	(854)	(1,104)	(260)	(2,218)
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

During the three months ended June 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 impairment evaluation process, the Company used a discounted cash flow methodology to estimate the fair value of its reporting units. The discounted cash flow approach is dependent on a number of factors, including estimates of future market growth and trends, forecasted revenue and costs, capital investments, appropriate discount rates, certain assumptions to allocate shared costs, assets and liabilities, historical and projected performance of the reporting unit, and the macroeconomic conditions affecting each of the Company's reporting units. The assumptions used in the determination of fair value were (1) a forecast of growth in the near and long term; (2) the discount rate; (3) working capital investments; (4) macroeconomic conditions and (5) other factors.

Based on the results of the impairment evaluation, the Company determined that the goodwill within the Europe and Asia Pacific reporting units was impaired, which resulted in 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 Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 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.

During the 2020 fourth quarter, the Company conducted its annual goodwill impairment evaluation as of October 31, 2020 in accordance with ASU No. 2017-04, Intangibles - Goodwill and Other for the Company's remaining goodwill in the Americas reporting unit. The goodwill impairment test is completed by comparing the fair value of a reporting unit, calculated as described above, with its carrying amount. An impairment charge is recognized for the amount by which the carrying value of the reporting unit exceeds its fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit.

Based on the results of the impairment analysis, the fair value of the Americas reporting unit exceeded its carrying value by an amount in excess of 100%.

The Company continues to monitor potential triggering events for its Americas reporting unit including changes in the business climate in which it operates, the Company's market capitalization compared to its book value, and the Company's recent operating performance. Any changes in these factors could result in a further impairment charge.

Other Intangible Assets, net

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

	December 31, 2020	December 31, 2019
Executive Search		
Americas	$ 225	$ 557
Europe	852	1,314
Asia Pacific	52	64
Total Other Intangible Assets, Net	$ 1,129	$ 1,935

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

		December 31, 2020			December 31, 2019		
	Weighted Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	6.6	$ 16,600	$ (15,587)	$ 1,013	$ 16,302	$ (14,683)	$ 1,619
Trade name	5.0	280	(164)	116	362	(46)	316
Total intangible assets	6.4	$ 16,880	$ (15,751)	$ 1,129	$ 16,664	$ (14,729)	$ 1,935

Intangible asset amortization expense for the years ended December 31, 2020, 2019 and 2018, was $0.7 million, $0.9 million and $1.5 million, respectively.

The Company's estimated future amortization expense related to intangible assets as of December 31, 2020 for the years ended December 31, is as follows:

2021	496
2022	318
2023	189
2024	77
2025	49
Total	1,129

9. Other Current Assets

The components of other current assets are as follows:

	December 31, 2020	December 31, 2019
Contract assets	$ 19,652	$ 22,257
Other	3,627	5,591
Total other current assets	$ 23,279	$ 27,848

10. Line of Credit

On October 26, 2018, the Company entered into a new Credit Agreement (the "2018 Credit Agreement") to replace the Second Amended and Restated Credit Agreement (the "Restated Credit Agreement") executed on June 30, 2015. The 2018 Credit Agreement provides the Company with a senior unsecured revolving line of credit with an aggregate commitment of $175 million, which includes a sublimit of $25 million for letters of credit, and a $10 million swingline loan sublimit. The agreement also includes a $75 million expansion feature. The 2018 Credit Agreement will mature in October 2023. Borrowings under the 2018 Credit Agreement bear interest at the Company's election of the Alternate Base Rate (as defined in the 2018 Credit Agreement) or Adjusted LIBOR (as defined in the 2018 Credit Agreement) plus a spread as determined by the Company’s leverage ratio.

Borrowings under the 2018 Credit Agreement may be used for working capital, capital expenditures, Permitted Acquisitions (as defined in the 2018 Credit Agreement) and for other general purposes of the Company and its subsidiaries. The obligations under the 2018 Credit Agreement are guaranteed by certain of the Company's subsidiaries.

The Company capitalized approximately $1.0 million of loan acquisition costs related to the 2018 Credit Agreement, which will be amortized over the remaining term of the agreement.

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 current uncertainty in the global markets resulting from the COVID-19 outbreak. The Company subsequently repaid $100.0 million during the three months ended September 30, 2020.

During the three months ended March 31, 2018, the Company borrowed $20 million under the Restated Credit Agreement and elected the Adjusted LIBOR rate. The Company subsequently repaid $8 million during the three months ended March 31, 2018 and $12 million during the three months ended June 30, 2018.

As of December 31, 2020, and 2019, the Company had no outstanding borrowings under the 2018 Credit Agreement. The Company was in compliance with the financial and other covenants under the 2018 Credit Agreement and no event of default existed.

11. Employee Benefit Plans

Qualified Retirement Plan

The Company has a defined contribution retirement plan (the “Plan”) for all eligible employees in the United States. Eligible employees may begin participating in the Plan upon their hire date. The Plan contains a 401(k) provision, which provides for employee pre-tax and/or after-tax contributions, from 1% to 50% of their eligible compensation up to a combined maximum permitted by law. The Company matched employee contributions on a dollar-for-dollar basis per participant up to the greater of $6,000, or 6.0%, of eligible compensation for the years ended December 31, 2020, 2019 and 2018. Employees are eligible for the Company match immediately upon entry into the plan. Those contributions vest annually, provided the employee is employed by the Company on the last day of the Plan year in which the match is made. The Plan also provides for employees who retire, die or become disabled during the Plan year to receive the Company match for that Plan year. The Plan provides that forfeitures will be used to reduce the Company’s contributions. Forfeitures are created annually by participants who terminate employment before becoming entitled to the Company’s matching contribution under the Plan. The Company also has the option of making discretionary contributions. There were no discretionary contributions made for the years ended December 31, 2020, 2019 and 2018. The expense that the Company incurred for matching employee contributions for the years ended December 31, 2020, 2019 and 2018, was $5.7 million, $6.3 million and $5.7 million, respectively.

The Company maintains additional retirement plans in the Americas, Europe and Asia Pacific regions which the Company does not consider as material and, therefore, additional disclosure has not been presented.

Deferred Compensation Plans

The Company has a deferred compensation plan for certain U.S. employees (the “U.S. Plan”) that became effective on January 1, 2006. The U.S. Plan allows participants to defer up to 25% of their base compensation and up to the lesser of $500,000 or 25% of their eligible bonus compensation into several different investment vehicles. These deferrals are immediately vested and are not subject to a risk of forfeiture. In 2020 and 2019, all deferrals in the U.S. Plan were funded. The compensation deferred in the U.S. Plan was $30.5 million and $23.8 million at December 31, 2020 and 2019, respectively. The assets of the U.S. Plan are included in *Investments* and the liabilities of the U.S. Plan are included in *Retirement and pension plans* in the Consolidated Balance Sheets as of December 31, 2020 and 2019.

The Company has a Non-Employee Directors Voluntary Deferred Compensation Plan whereby non-employee members of the Company’s Board of Directors may elect to defer up to 100% of the cash component of their directors’ fees into several different investment vehicles. As of December 31, 2020, and 2019, the total amounts deferred under the plan were $0.9 million and $1.6 million, respectively, all of which were funded. The assets of the plan are included in *Investments* and the liabilities of the plan are included in *Retirement and pension plans* in the Consolidated Balance Sheets at December 31, 2020 and 2019.

The U.S. and Non-Employee Directors Voluntary Deferred Compensation Plans consist primarily of marketable securities and mutual funds, all of which are valued using Level 1 inputs (See Note 7, *Financial Instruments and Fair Value*).

12. Pension Plan and Life Insurance Contract

The Company 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.

	2020	2019
Benefit obligation at January 1,	$ 20,918	$ 20,908
Interest cost	212	338
Actuarial loss	790	1,506
Benefits paid	(1,402)	(1,375)
Cumulative translation adjustment	1,833	(459)
Benefit obligation at December 31,	$ 22,351	$ 20,918

The benefit obligation amounts recognized in the Consolidated Balance Sheets are as follows:

	December 31,	
	2020	2019
Current liabilities	$ 1,434	$ 1,318
Noncurrent liabilities	20,917	19,600
Total	$ 22,351	$ 20,918

The components of and assumptions used to determine the net periodic benefit cost are as follows:

	December 31,		
	2020	2019	2018
Net period benefit cost:			
Interest cost	$ 212	$ 338	$ 373
Amortization of net loss	140	35	92
Net periodic benefit cost	$ 352	$ 373	$ 465
Weighted average assumptions			
Discount rate (1)	1.03 %	1.71 %	1.64 %
Rate of compensation increase	— %	— %	— %

Assumptions to determine the Company's benefit obligation are as follows:

	December 31,		
	2020	2019	2018
Discount rate (1)	0.72 %	1.03 %	1.71 %
Rate of compensation increase	— %	— %	— %
Measurement Date	12/31/2020	12/31/2019	12/31/2018

(1) The discount rates are based on long-term bond indices adjusted to reflect the longer duration of the benefit obligation.

The amounts in *Accumulated other comprehensive income* as of December 31, 2020 and 2019, that had not yet been recognized as components of net periodic benefit cost were $5.1 million and $4.0 million, respectively. As of December 31, 2020, an insignificant amount of the accumulated other comprehensive income is expected to be recognized as a component of net periodic benefit cost in 2021.

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 (See Note 7, *Financial Instruments and Fair Value*). The fair value at December 31, 2020 and 2019, was $15.9 million and $15.3 million, respectively.

Since the pension assets are not segregated in trust from the Company's other assets, the pension assets are not shown as an offset against the pension liabilities in the Consolidated Balance Sheets. These assets are included in the Consolidated Balance Sheets at December 31, 2020 and 2019, as a component of *Other current assets* and *Assets designated for retirement and pension plans*.

The benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter are as follows:

2021	1,434
2022	1,415
2023	1,393
2024	1,367
2025	1,335
2025 through 2029	6,034

13. 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 December 31, 2020, 3,001,357 awards have been issued under the Third A&R 2012 Program and 1,057,037 shares remain available for future awards, including 708,394 forfeited awards. The Third A&R 2012 Program provides that no awards can be granted after May 24, 2028.
The Company measures its stock-based compensation costs based on the grant date fair value of the awards and recognizes these costs in the financial statements over the requisite service period.

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

	December 31,		
	2020	2019	2018
Salaries and employee benefits (1)	$ 12,968	$ 12,857	$ 9,548
General and administrative expenses	460	460	562
Income tax benefit related to stock-based compensation included in net income	3,571	3,529	2,674

(1) Includes $3.2 million, $3.0 million and $1.2 million of expense related to cash settled restricted stock units for the years ended December 31, 2020, 2019 and 2018, respectively.

Restricted Stock Units

Restricted stock units are generally subject to ratable vesting over a three-year period. Beginning in 2018, 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 years ended December 31, 2020, 2019 and 2018 is as follows:

	Number of Restricted Stock Units		Weighted-Average Grant-date Fair Value
Outstanding on December 31, 2018	512,446	$	28.83
Granted	270,488		33.55
Vested and converted to common stock	(175,792)		24.19
Forfeited	(8,154)		34.29
Outstanding on December 31, 2019	598,988		32.25
Granted	329,068		22.20
Vested and converted to common stock	(194,921)		29.67
Forfeited	(25,271)		30.62
Outstanding on December 31, 2020	707,864	$	28.35

As of December 31, 2020, there was $7.1 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.3 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% - 200% based on the attainment of operating income goals over the three-year vesting period. The performance stock units are expensed on a straight-line basis over the three-year vesting period.

Beginning in 2019, performance stock units were granted to certain employees of the Company and are subject to a cliff vesting period of three years and certain other performance conditions. 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.

Performance share unit activity for the years ended December 31, 2020, 2019 and 2018 is as follows:

	Number of Performance Stock Units		Weighted-Average Grant-date Fair Value
Outstanding on December 31, 2018	197,117	$	24.88
Granted	81,661		35.58
Vested and converted to common stock	(99,219)		25.04
Forfeited	—		—
Outstanding on December 31, 2019	179,559		32.63
Granted	105,847		23.52
Vested and converted to common stock	(50,472)		26.69
Forfeited	—		—
Outstanding on December 31, 2020	234,934	$	29.80

As of December 31, 2020, there was $4.0 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 1.7 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 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 $3.2 million and $3.0 million for the years ended December 31, 2020 and December 31, 2019, respectively.

Phantom stock unit activity for the years ended December 31, 2020, 2019, and 2018 is as follows:

	Number of Phantom Stock Units
Outstanding on December 31, 2018	111,673
Granted	154,387
Vested	—
Forfeited	—
Outstanding on December 31, 2019	266,060
Granted	118,596
Vested	(21,346)
Forfeited	(11,676)
Outstanding on December 31, 2020	351,634

As of December 31, 2020, there was $4.1 million of pre-tax unrecognized compensation expense related to unvested phantom stock units, which is expected to be recognized over a weighted average of 2.9 years.

14. Restructuring

Restructuring Charges

During the year ended December 31, 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. The Company recorded restructuring charges of $30.5 million in the Americas, $8.6 million in Europe, $4.6 million in Asia Pacific, $4.7 million in Heidrick Consulting and $4.0 million in Global Operations Support. The Company anticipates future restructuring charges of $7.0 million to $10.0 million related to further real estate optimization will be recognized in 2021.

During the year ended December 31, 2019, the Company recorded restructuring charges of $4.1 million related to the closing of the Company's legacy Brazil operations due to the acquisition of 2GET Holdings Limited. The restructuring charges primarily consist of employee-related costs for the Company's legacy Brazil operations. The America's incurred $4.1 million in restructuring charges, while Global Operations Support incurred less than $0.1 million in restructuring charges.

Restructuring charges by operating segment for the years ended December 31, 2020, 2019, and 2018 were as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Executive Search			
Americas	$ 30,479	$ 4,102	$ —
Europe	8,603	—	—
Asia Pacific	4,614	—	—
Total Executive Search	43,696	4,102	—
Heidrick Consulting	4,657	—	—
Global Operations Support	4,019	28	—
Total restructuring	$ 52,372	$ 4,130	$ —

Changes in the restructuring accrual for the years ended December 31, 2020, 2019, and 2018 were as follows:

	Employee Related	Office Related	Other	Total
Accrual balance at December 31, 2017	11,866	148	1,011	13,025
Cash payments	(8,689)	(248)	(993)	(9,930)
Non-cash write-offs	—	195	—	195
Other	(1,843)	(95)	5	(1,933)
Exchange rate fluctuations	(65)	—	(6)	(71)
Accrual balance at December 31, 2018	1,269	—	17	1,286
Restructuring charges	4,130	—	—	4,130
Cash payments	(2,213)	—	—	(2,213)
Non-cash write-offs	—	—	(17)	(17)
Other	4	—	—	4
Exchange rate fluctuations	55	—	—	55
Accrual balance at December 31, 2019	3,245	—	—	3,245
Restructuring charges	32,780	18,910	682	52,372
Cash payments	(11,443)	(138)	(682)	(12,263)
Non-cash write-offs	(1,633)	(17,823)	—	(19,456)
Other	(173)	—	—	(173)
Exchange rate fluctuations	(464)	4	—	(460)
Accrual balance at December 31, 2020	$ 22,312	$ 953	$ —	$ 23,265

Restructuring accruals of are recorded within *Other current liabilities* in the Consolidated Balance Sheets with the exception of certain employee related accruals. 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.

15. Income Taxes

The sources of income (loss) before income taxes are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
United States	$ 11,346	$ 53,461	$ 47,191
Foreign	(42,744)	15,828	23,301
Income (loss) before income taxes	$ (31,398)	$ 69,289	$ 70,492

The provision for income taxes are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Current			
Federal	$ 4,469	$ 11,311	$ 12,311
State and local	1,948	4,422	4,843
Foreign	2,172	4,423	6,907
Current provision for income taxes	8,589	20,156	24,061
Deferred			
Federal	(2,416)	2,031	6,403
State and local	(697)	698	(354)
Foreign	833	(465)	(8,913)
Deferred provision (benefit) for income taxes	(2,280)	2,264	(2,864)
Total provision for income taxes	$ 6,309	$ 22,420	$ 21,197

A reconciliation of the provision for income taxes to income taxes at the statutory U.S. federal income tax rate of 21% is as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Income tax provision (benefit) at the statutory U.S. federal rate	$ (6,594)	$ 14,551	$ 14,803
State income tax provision, net of federal tax benefit	735	3,509	3,242
Nondeductible expenses, net	7,065	1,570	1,651
Foreign taxes (includes rate differential and changes in foreign valuation allowance)	4,470	698	(35)
Establishment (release) of valuation allowance	566	(117)	(43)
Additional U.S. tax on foreign operations	—	2,550	1,628
Current/deferred items	(505)	(157)	(1,199)
Other, net	572	(184)	1,150
Total provision for income taxes	$ 6,309	$ 22,420	$ 21,197

The deferred tax assets and liabilities are attributable to the following components:

	December 31,	
	2020	2019
Deferred tax assets attributable to:		
Operating lease liability and accrued rent	$ 22,765	$ 20,371
Foreign net operating loss carryforwards	19,721	17,940
Accrued compensation and employee benefits	18,553	14,506
Deferred compensation	17,376	17,110
Foreign tax credit carryforwards	5,196	6,493
Other accrued expenses	4,350	5,882
Deferred tax assets, before valuation allowance	87,961	82,302
Valuation allowance	(25,218)	(24,200)
Deferred tax assets, after valuation allowance	62,743	58,102
Deferred tax liabilities attributable to:		
Operating lease, right-of-use, assets	17,526	17,716
Goodwill	7,625	5,440
Depreciation on property and equipment	1,172	1,652
Other	533	533
Deferred tax liabilities	26,856	25,341
Net deferred tax assets	$ 35,887	$ 32,761

The recognition of deferred tax assets is based on management’s belief that it is more likely than not that the tax benefits associated with temporary differences, net operating loss carryforwards and tax credits will be utilized. The Company assesses the recoverability of the deferred tax assets on an ongoing basis. In making this assessment, the Company considers all positive and negative evidence, and all potential sources of taxable income including scheduled reversals of deferred tax liabilities, tax-planning strategies, projected future taxable income and recent financial performance. Certain of the Company’s deferred tax liabilities, based on jurisdictional netting, of $0.1 million and $0.3 million are included in *Other non-current liabilities* on the Consolidated Balance Sheets at December 31, 2020 and 2019, respectively.

The valuation allowance increased from $24.2 million at December 31, 2019 to $25.2 million at December 31, 2020. The valuation allowance at December 31, 2020 was related to foreign net operating loss carryforwards, foreign tax credit carryforwards, and certain foreign deferred tax assets. The Company intends to maintain these valuation allowances until sufficient evidence exists to support their reversal.

At December 31, 2020, the Company had a net operating loss carryforward of $128.1 million related to its foreign tax filings. Of the $128.1 million net operating loss carryforward, $87.9 million is subject to a valuation allowance. Depending on the tax rules of the tax jurisdictions, the losses can be carried forward indefinitely or for periods ranging from five to twenty years. The Company also has a foreign tax credit carryforward of $5.2 million subject to a valuation allowance of $5.2 million.

At December 31, 2019, the Company had a net operating loss carryforward of $116.1 million related to its foreign tax filings. Of the $116.1 million net operating loss carryforward, $76.9 million was subject to a valuation allowance. Depending on the tax rules of the tax jurisdictions, the losses can be carried forward indefinitely or for periods ranging from five to twenty years. The Company also has a foreign tax credit carryforward of $6.5 million subject to a valuation allowance of $6.5 million.

As of December 31, 2019, the Company had $0.1 million of unrecognized tax benefits. As of December 31, 2020, the Company had $0.4 million of unrecognized tax benefits which, if recognized, would be recorded as a component of income tax expense.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Gross unrecognized tax benefits at January 1,	$ 130	$ 1,128	$ 740
Gross increases for tax positions of prior years	500	389	608
Gross decreases for tax positions of prior years	(31)	(377)	—
Settlements	(183)	(1,010)	(220)
Gross unrecognized tax benefits at December 31,	$ 416	$ 130	$ 1,128

In many cases the Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxable authorities. Years 2017 through 2019 are subject to examination by the state taxing authorities. The years 2017 through 2019 are also subject to examination by the federal taxing authority. There are certain foreign jurisdictions that are subject to examination for years prior to 2017.

The Company is currently under audit by some jurisdictions. It is likely that the examination phase of several of these audits will conclude in the next twelve months. No significant increases or decreases in unrecognized tax benefits are expected to occur by December 31, 2021.

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of the provision for income taxes in the Consolidated Statements of Comprehensive Income (Loss). Accrued interest and penalties are less than $0.1 million as of December 31, 2020.

The Global Intangible Low-Taxed Income ("GILTI") provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. The Company will be subject to incremental U.S. tax on GILTI income beginning in 2018, due to expense allocations required by the U.S. foreign tax credit rules. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the year ended December 31, 2020.

The Base Erosion and Anti-Abuse Tax ("BEAT") provisions in the Tax Reform Act eliminates the deduction of certain base-erosion payments made to related foreign corporations, and impose a minimum tax if greater than regular tax. The Company does not expect it will be subject to this tax and therefore has not included any tax impacts of BEAT in its consolidated financial statements for the year ended December 31, 2020.

16. Changes in Accumulated Other Comprehensive Income

The changes in *Accumulated other comprehensive income* ("AOCI") by component for the year ended December 31, 2020, are summarized below:

	Available-for-Sale Securities	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2019	$ 13	$ 6,102	$ (2,291)	$ 3,824
Other comprehensive income (loss) before classification, net of tax	(13)	82	(476)	(407)
Balance at December 31, 2020	—	$ 6,184	$ (2,767)	$ 3,417

17. Segment Information

The Company has four 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 business operates 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 (loss) more appropriately reflects its core operations.

The revenue, operating income, depreciation and amortization, and capital expenditures, by segment, are as follows:

	December 31, 2020	December 31, 2019	December 31, 2018
Revenue			
Executive Search			
Americas	$ 361,416	$ 415,455	$ 405,267
Europe	124,243	135,070	145,348
Asia Pacific	79,511	95,827	102,276
Total Executive Search	565,170	646,352	652,891
Heidrick Consulting	56,445	60,572	63,132
Revenue before reimbursements	621,615	706,924	716,023
Reimbursements	7,755	18,690	19,632
Total revenue	$ 629,370	$ 725,614	$ 735,655
Operating income (loss)			
Executive Search			
Americas (1)	$ 62,806	$ 100,833	$ 96,880
Europe (2)	(22,827)	3,026	5,849
Asia Pacific (3)	(6,724)	13,590	15,999
Total Executive Search	33,255	117,449	118,728
Heidrick Consulting (4)	(28,369)	(18,499)	(13,619)
Total segments	4,886	98,950	105,109
Global Operations Support (5)	(40,415)	(35,439)	(36,252)
Total operating income (loss)	$ (35,529)	$ 63,511	$ 68,857
Depreciation and amortization			
Executive Search			
Americas	$ 20,937	$ 4,204	$ 4,605
Europe	2,270	2,784	3,735
Asia Pacific	1,837	1,472	1,646
Total Executive Search	25,044	8,460	9,986
Heidrick Consulting	953	1,079	1,577
Total segments	25,997	9,539	11,563
Global Operations Support	659	832	959
Total depreciation and amortization	$ 26,656	$ 10,371	$ 12,522
Capital expenditures			
Executive Search			
Americas	$ 4,258	$ 1,121	$ 601
Europe	409	1,070	3,557
Asia Pacific	2,015	295	440
Total Executive Search	6,682	2,486	4,598
Heidrick Consulting	116	541	581
Total segments	6,798	3,027	5,179
Global Operations Support	524	325	1,006
Total capital expenditures	$ 7,322	$ 3,352	$ 6,185

(1) Includes $30.5 million of restructuring charges in 2020 and $4.1 million of restructuring charges in 2019.
(2) Includes $8.6 million of restructuring charges and $24.5 million of impairment charges in 2020.
(3) Includes $4.6 million of restructuring charges and $8.5 million of impairment charges in 2020.
(4) Includes $4.7 million of restructuring charges in 2020.
(5) Includes $4.0 million of restructuring charges in 2020 and less than $0.1 million of restructuring charges in 2019.

Identifiable assets, and goodwill and other intangible assets, net, by segment, are as follows:

	December 31,	
	2020	2019
Current assets		
Executive Search		
Americas	$ 284,837	$ 286,818
Europe	84,841	96,230
Asia Pacific	76,523	78,967
Total Executive Search	446,201	462,015
Heidrick Consulting	24,546	30,628
Total segments	470,747	492,643
Global Operations Support	1,939	1,839
Total allocated current assets	472,686	494,482
Unallocated non-current assets	222,354	220,925
Goodwill and other intangible assets, net		
Executive Search		
Americas	91,868	93,054
Europe	852	26,893
Asia Pacific	52	8,819
Total Executive Search	92,772	128,766
Heidrick Consulting	—	—
Total goodwill and other intangible assets, net	92,772	128,766
Total assets	$ 787,812	$ 844,173

18. Guarantees

The Company has utilized letters of credit to support certain obligations, primarily the payment of office lease obligations and business license requirements for certain of its subsidiaries in Europe and Asia Pacific. 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 use cash to fulfill the obligation if the subsidiary defaults on a lease 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 $5.4 million as of December 31, 2020. The Company has not accrued for these arrangements as no event of default exists or is expected to exist.

19. 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in 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 (the "SEC") 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 December 31, 2020. 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 December 31, 2020.

(b) Management's report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and includes those policies and procedures that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as of December 31, 2020.

The Company's independent registered public accounting firm, RSM LLP, has issued a report on the Company's internal control over financial reporting. The report on the audit of internal control over financial reporting appears in Part II, Item 8 of this Form 10-K.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the Company's fiscal quarter ended December 31, 2020, that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our directors, executive officers and corporate governance will be included in the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 27, 2021 (the "2021 Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to our executive officer and director compensation and the compensation committee of the Board of Directors will be included in the 2021 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to security ownership of certain beneficial owners of our common stock and information relating to the security ownership of our management will be included in the 2021 Proxy Statement and is incorporated herein by reference.

Equity Compensation Plan Information

The following table sets forth additional information as of December 31, 2020, about shares of our common stock that may be issued upon the vesting of restricted stock units and performance stock units and the exercise of options under our existing equity compensation plans and arrangements, divided between plans approved by our stockholders and plans or arrangements not submitted to the stockholders for approval. For a description of the types of securities that may be issued under our Third Amended and Restated 2012 Heidrick & Struggles GlobalShare Program. See Note 13, *Stock-Based Compensation*.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options	(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	942,798 (1)	$ —	1,057,037
Equity compensation plans not approved stockholders	—	—	—
Total equity compensation plans	942,798	—	1,057,037

(1) Includes 707,864 restricted stock units and 234,934 performance stock units at their target levels and no options. The performance stock units represent the maximum amount of shares to be awarded at target levels, and accordingly, may overstate expected dilution.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence will be in included the 2021 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the discussion under the caption “Audit Fees” in our 2021 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

1. Index to Consolidated Financial Statements:

See Consolidated Financial Statements included as part of this Form 10-K beginning on page 35.

2. Exhibits:

Exhibit No.	Description
3.01	Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.01 of the Registrant's Form 10-Q filed April 27, 2020
3.02	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.02 of the Registrant's Form 10-Q filed April 27, 2020)
3.03	Amended and Restated By-laws of the Registrant (Incorporated by reference to Exhibit 3.03 of the Registrant's Form 8-K filed May 30, 2017)
4.01	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.01 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023)
4.02	Description of Securities (Incorporated by reference to Exhibit 4.02 of the Registrant's Form 10-K filed February 24, 2020)
10.01	Credit Agreement dated June 22, 2011, among Heidrick & Struggles International, Inc., certain foreign subsidiary borrowers thereto, the lenders party thereto, JPMorgan Chase Bank, as Administrative Agent and Bank of America, N.A., as Syndication Agent (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed June 27, 2011)
10.02	Amendment and Restatement Agreement among Heidrick & Struggles International, Inc., certain foreign subsidiary borrowers thereto, the lenders party thereto and JPMorgan Chase Bank, as Administrative Agent, dated January 31, 2013 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K, filed January 31, 2013)
10.03	Second Amended and Restated Credit Agreement among Heidrick & Struggles International, Inc., the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Bank of America, N.A., as Syndication Agent, dated June 30, 2015 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K, filed July 1, 2015)
10.04	Eighth Lease Amendment between 233 S. WACKER LLC and Heidrick & Struggles International, Inc. dated October 1, 2014 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed October 9, 2014)
10.05	Lease between 1114 6th Avenue Co., LLC and Heidrick & Struggles International, Inc., and Heidrick & Struggles, Inc., dated August 31, 2007 (Incorporated by reference to Exhibit 10.04 of the Registrant's Form 10-K filed February 28, 2008)
10.06	Employment Agreement of Richard W. Pehlke dated August 15, 2011 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed August 16, 2011)**
10.07	Amended and Restated Employment Letter Agreement of Stephen Beard dated May 18, 2011 (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q filed August 1, 2011)**
10.08	Employment Agreement of Tracy R. Wolstencroft dated February 2, 2014 (Incorporated by reference to exhibit 99.1 of the Registrant's Form 8-K filed February 6, 2014)**
10.09	Employment Agreement of Richard W. Greene (Incorporated by reference to Exhibit 99.01 of the Registrant's Form 8-K filed March 27, 2015)**
10.10	Employment Agreement of Krishnan Rajagopalan dated April 9, 2015 (Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed April 20, 2015)**
10.11	Restricted Stock Unit Participation Agreement issued to Tracy R. Wolstencroft dated February 3, 2014 (Incorporated by reference to exhibit 99.2 of the Registrant's Form 8-K filed February 6, 2014)**
10.12	Performance Stock Unit Participation Agreement issued to Tracy R. Wolstencroft dated February 3, 2014 (Incorporated by reference to exhibit 99.3 of the Registrant's Form 8-K filed February 6, 2014)**

10.13	Employment Agreement of Colin Price dated January 19, 2017 (Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed January 19, 2017)**
10.14	Membership Interest Purchase Agreement, dated December 31, 2012, among Heidrick & Struggles International, Inc., Senn-Delaney Leadership Consulting Group, LLC and the members of Senn-Delaney Leadership Consulting Group, LLC (Incorporated by reference to exhibit 2.1 of the Registrant's Form 8-K filed January 4, 2013).
10.15	Share Purchase Agreement, dated October 1, 2015, by and among Heidrick & Struggles International, Inc. and Heidrick & Struggles (UK) Limited and Sharon Lee Toye, Tammy Ann Mitchell-Fisher, Catherine Elizabeth Powell and Colin Price (Incorporated by reference to exhibit 2.1 of the Registrant's Form 8-K filed October 6, 2015).
10.16	Asset Purchase Agreement, dated February 9, 2016, by and among Decision Strategies International, Inc., Decision Strategies International (UK) Limited, The Shareholders set forth on Annex I thereto, Paul J. H. Schoemaker, as the Shareholders' Representative, Heidrick & Struggles, Inc., Hedirick & Struggles Leadership Consulting Ltd. and Heidrick & Struggles International, Inc. (Incorporated by reference to exhibit 2.1 of the Registrant's Form 8-K filed February 11, 2016).
10.17	Heidrick & Struggles International, Inc. Management Severance Pay Plan and Summary Plan Description as Amended and Restated Effective December 31, 2010 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed October 25, 2011) **
10.18	2007 Heidrick & Struggles GlobalShare Program (Incorporated by reference to Appendix A to the Registrant's Proxy Statement filed April 25, 2011)**
10.19	Heidrick & Struggles Incentive Plan, as Amended and Restated Effective January 1, 2008 (Incorporated by reference to Exhibit 10.20 of the Registrant's From 10-K filed February 27, 2009)**
10.20	Form of Non-Qualified Stock Option Grant Agreement (Incorporated by reference to Exhibit 10.5 of the Registrant's Form 8-K filed January 5, 2012)**
10.21	Form of Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed January 5, 2012)**
10.22	Form of Performance Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.4 of the Registrant's Form 8-K filed January 5, 2012)**
10.23	Form of Non-Employee Director Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.19 of the Registrant's 10-K dated March 14, 2012)**
10.24	Heidrick & Struggles International, Inc. U.S. Employees Deferred Compensation Plan (Incorporated by reference to Exhibit 10.10 of the Registrant's Form 10-K for the year ended December 31, 2005, filed March 10, 2006)**
10.25	Heidrick & Struggles International, Inc. Deferred Compensation Plan (Incorporated by reference to Exhibit 4.1 of this Registrant's Registration Statement on Form S-8 (File No. 333-82424))**
10.26	First Amendment to the Heidrick & Struggles International, Inc. U.S. Employees Deferred Compensation Plan (Incorporated by reference to Exhibit 10.25 of the Registrant's Form 10-K for the year ended December 31, 2008, filed February 27, 2009)**
10.27	Heidrick & Struggles Non-Employee Directors' Voluntary Deferred Compensation Plan - Amended and Restated as of September 30, 2016 (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed October 5, 2016.)**
10.28	Heidrick & Struggles International, Inc. Change in Control Severance Plan, as amended and restated effective December 29, 2011 (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed January 5, 2012).**
10.29	Share Purchase Agreement, dated August 4, 2016 for the sale and purchase of the entire issued share capital of JCA Group Limited and the entire partnership interest in JCA Partners LLP by and among JCA Events Limited, the persons listed in Schedule 1 thereto, Heidrick & Struggles (UK) Limited, and Heidrick & Struggles International, Inc. (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed August 4, 2016)
10.30	Asset Purchase Agreement by and among Philosophy IB, LLP, Christine H. Lotze, Kaveh Naficy and Heidrick & Struggles, Inc. dated August 12, 2016 (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed August 16, 2016.)
10.31	Deed of Amendment dated August 25, 2016 by and among Heidrick & Struggles International, Inc., Heidrick & Struggles (UK) Limited, and Sharon Lee Toye, Tammy Ann Mitchell-Fisher, Catherine Elizabeth Powell and Colin Price (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed August 29, 2016)

10.32	Business Protection Agreement by and between Heidrick & Struggles (UK) Limited and Mr. Colin Price dated January 18, 2016 (Incorporated by reference to Exhibit 99.2 of the Registrant’s Form 8-K filed January 19, 2017)**
10.33	Amended and Restated 2012 Heidrick & Struggles GlobalShare Plan (Incorporated by reference to Appendix B to the Registrant’s Proxy Statement filed April 18, 2014)**
10.34	Earn Out Buyout Agreement between Tammy Ann Mitchell-Fisher, Catherine Elizabeth Powell, Colin Price, Sharon Lee Toye, Heidrick & Struggles (UK) Limited, and Heidrick & Struggles International, Inc. dated June 14, 2017 (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed June 20, 2017)
10.35	Employment Agreement of Krishnan Rajagopalan dated September 21, 2017 (Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed September 21, 2017)**
10.36	Agreement Regarding Equity Awards of Tracy R. Wolstencroft dated September 21, 2017 (Incorporate by reference to Exhibit 99.2 of the Registrant's Form 8-K filed September 21, 2017)
10.37	Share Purchase Agreement, dated September 19, 2017 between Porma APS and Heidrick & Struggles, Inc. (Incorporated by reference to Exhibit 2.1 of the Registrant’s Form 8-K filed September 28, 2017)
10.38	Memorandum of Clarification relating to the Share Purchase Agreement among Hedirick & Struggles International, Inc., Heidrick & Struggles (UK) Limited, JCA Events Limited, and the persons listed on Schedule 1 thereto made on August 4, 2016 (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed November 15, 2017)
10.39	Separation Agreement by and between Heidrick & Struggles International, Inc. and Stephen W. Beard dated January 4, 2018 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed January 5, 2018)
10.40	Separation Agreement by and between Heidrick & Struggles International, Inc. and Michael Marino dated December 31, 2017 (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed January 5, 2018)
10.41	Employment Agreement between Heidrick & Struggles International, Inc. and Kamau Coar dated January 4, 2018 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed January 10, 2018)**
10.42	Employment Agreement between Heidrick & Struggles International, Inc. Andrew LeSueur dated January 9, 2018 (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed January 10, 2018)**
10.43	Heidrick & Struggles International, Inc. Management Severance Pay Plan as amended and restated effective December 31, 2017 (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed January 10, 2018)
10.44	Employment Agreement between Heidrick & Struggles International, Inc. and Mark Harris dated March 19, 2018 (Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed March 21, 2018)**
10.45	Letter of KPMG LLP dated June 15, 2018 to the SEC (Incorporated by reference to Exhibit 16.1 of the Registrant's Form 8-K filed June 15, 2018)
10.46	Second Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (Incorporated by reference to Annex A in the Registrant's Schedule 14A filed May 11, 2018)
10.47	Credit Agreement dated October 26, 2018 among Heidrick & Struggles International, Inc., the foreign subsidiary borrowers hereto, the lenders party thereto, Bank of America, N.A., as Administrative Agent, SunTrust Bank, as Syndication Agent and HSBC Bank USA, national Association, as Documentation Agent (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed October 29, 2018)
10.48	Form of Phantom Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q filed October 29, 2018)**
10.49	Form of Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.1 of Registrant's From 10-Q filed October 29, 2018)**
10.50	Employment Agreement between Heidrick & Struggles International, Inc. and Sarah Payne dated December 5, 2018 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed December 6, 2018)**
10.51	Employment Agreement between Heidrick & Struggles International, Inc. and Michael Cullen dated February 6, 2019 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed February 8, 2019)**
10.52	Form of Performance Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q filed July 29, 2019)**

10.53	Form of Performance Stock Unit Participation Agreement (Incorporate by reference to Exhibit 10.53 of Registrant's Form 10-K filed February 24, 2020)**
10.54	Form of Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q filed July 27, 2020)**
10.55	Form of Performance Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.2 of the Registrant’s Form 10-Q filed July 27, 2020)**
10.56	Form of Non-Employee Director Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.3 of the Registrant’s Form 10-Q filed July 27, 2020)**
10.57	Third Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (Incorporated by reference to the Registrant's Form S-8 filed June 22, 2020)
*10.58	Heidrick & Struggles International, Inc. Management Severance Pay Plan and Summary Plan Description As Amended and Restated effective December 31, 2020**
*21.01	Subsidiaries of the Registrant
*23.01	Consent of Independent Registered Public Accounting Firm - RSM LLP
*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 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 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 File because its XBRL tags are embedded within the Inline XBRL document
*101.SCH	Inline XBRL Taxonomy Extension Schema Document
*101.CAL	Inline XBRL Taxonomy Extension 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.

** Denotes a management contract or compensatory plan or arrangement.

(b) SEE EXHIBIT INDEX ABOVE

(c) FINANCIAL STATEMENTS NOT PART OF ANNUAL REPORT

None.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

	/s/ Stephen A. Bondi
By:	Stephen A. Bondi
Title:	Vice President, Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 24, 2021.

Signature	Title
/s/ Krishnan Rajagopalan Krishnan Rajagopalan (Principal Executive Officer)	Chief Executive Officer & Director
/s/ Mark R. Harris Mark R. Harris (Principal Financial Officer)	Executive Vice President, Chief Financial Officer
/s/ Stephen A. Bondi Stephen A. Bondi (Principal Accounting Officer)	Vice President, Controller
/s/ Elizabeth L. Axelrod Elizabeth L. Axelrod	Director
/s/ Laszlo Bock Laszlo Bock	Director
/s/ Clare M. Chapman Clare M. Chapman	Director
/s/ Lyle Logan Lyle Logan	Director
/s/ T. Willem Mesdag T. Willem Mesdag	Director
/s/ Stacey Rauch Stacey Rauch	Director
/s/ Adam Warby Adam Warby	Director

Heidrick & Struggles International, Inc.

Management Severance Pay Plan

and

Summary Plan Description

As Amended and Restated

Effective December 31, 2020

HEIDRICK & STRUGGLES INTERNATIONAL, INC. MANAGEMENT SEVERANCE PAY PLAN AND SUMMARY PLAN DESCRIPTION

TABLE OF CONTENTS

Heidrick & Struggles International, Inc. Management Severance Pay Plan

Article 1. Establishment and Purpose.

1.1 Establishment of the Plan. Heidrick & Struggles International, Inc. (the "Company") initially established the Heidrick & Struggles, Inc. Severance Pay Plan (the "Plan"), effective June 14, 2001. The Company has amended and restated the Plan effective as of July 31, 2003, December 31, 2008, December 31, 2010, December 31, 2017 and hereby further amends and restates the Plan effective as of December 31, 2020 as it pertains to Executives. This document also constitutes the summary plan description of the Plan.

1.2 Purpose of the Plan. The purpose of the Plan is to provide severance benefits to eligible Executives of the Company and its Subsidiaries upon certain terminations of employment, as described below. Benefits under the Plan are intended to be supplemental unemployment benefits. The Plan is intended to constitute a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations, §2510.3-2(b). No employee or other person shall have a vested right to any benefits under the Plan.

The Plan supersedes any existing severance pay plan, practice or policy of the Company. No severance benefits, other than those provided by the Plan and described below, will be paid by the Company to an eligible Executive other than as may be provided under collective bargaining agreements or written agreements individually negotiated between the Company and the Executive.

Article 2. Definitions.

When used herein, the following terms shall have the following meanings:

2.1 "Affiliate" means any entity in which the Company, directly or indirectly, has at least a five percent ownership interest.

2.2 "Base Salary" means the Executive's annual base salary rate, including any amounts deferred by the Executive, in effect as of the Executive's Termination Date, but excluding bonuses, awards and any other form of additional compensation.

2.3 "Bonus Amount" means the annual target bonus for the Executive under the Company's Management Incentive Plan or any successor management plan as of the Executive's Termination Date (but not the Fee/SOB Bonus Plan or any successor plan thereto).

2.4 "Cause" means any of the following: (a) the Executive's engagement, during the performance of his or her duties for the Company or a Subsidiary, in acts or omissions constituting dishonesty, fraud, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance; (b) the Executive's conviction for a felony; (c) the Executive's material violation of the Company's Code of Ethics or other material written policies of the Company, including without limitation policies relating to anti-harassment and hostile work environment, insider trading, conflicts of interest, or the treatment and/or disclosure of confidential information; (d) the Executive's conduct causing demonstrable injury to the Company or a Subsidiary or its reputation; (e) the Executive's failure or refusal to perform his or her duties as the Company or Subsidiary reasonably requires, to meet goals reasonably established by the Company or Subsidiary, or to abide by the Company's or Subsidiary's policies for the operation of its business, and the continuation thereof after the receipt by the Executive of written notice from the Company or Subsidiary; or (f) the Executive's illegal use of drugs or use of alcohol or intoxication on work premises, during working time, or which interferes with the performance of his or her duties and obligations on behalf of the Company. The determination of whether the Executive has been terminated for "Cause" will be made at the sole discretion of the Committee.

2.5 "Committee" means the Human Resources and Compensation Committee of the Board of Directors of the Company.

2.6 "Company" means Heidrick & Struggles International, Inc., organized under the laws of the state of Delaware, including any successor or successors thereto.

2.7 "Executive" means any employee of the Company or a Subsidiary who immediately prior to his or her Termination Date is employed (a) as the Chief Executive Officer of the Company; or (b) in a Tier I, Tier II, Tier III or Tier IV position as defined in the Company's Management Incentive Plan. Notwithstanding the foregoing, the term "Executive" does not include any individual who receives benefits under the Heidrick & Struggles International, Inc. Change In Control Severance Plan.

2.8 "ERISA" means the Employee Retirement Income Security Act of 1974, as now in effect or as hereafter amended.

2.9 "Health Benefits" means the health, dental and/or vision benefits provided under a benefit plan maintained by the Company or a Subsidiary in which the Executive was participating immediately prior to his or her Termination Date.

2.10 "Health Benefits Continuation Period" means the earlier of one year following the Termination Date or the end of the Severance Period;

2.11 "Severance Factor" means a number equal to (a) two, for an Executive with the title of Chief Executive Officer of the Company immediately prior to his or her Termination Date; (b) one and one-half, for an Executive in a Tier I position immediately prior to his or her Termination Date; (c) one, for an Executive in a Tier II position immediately prior to his or her Termination Date; (d) one-half, for an Executive in a Tier III position immediately prior to his or her Termination Date; and (e) one-third, for an Executive in a Tier IV position immediately prior to his or her Termination Date.

2.12 "Severance Period" means the period of time beginning on the Executive's Termination Date and continuing for a number of years (or portion thereof) equal to the Executive's Severance Factor.

2.13 "Subsidiary" means an entity of which the Company is the direct or indirect beneficial owner of not less than 50% of an issued and outstanding equity interest of such entity.

2.14 "Termination Date" means the effective date of an Executive's termination of employment with the Company and all Subsidiaries and Affiliates.

Article 3. Eligibility and Benefits.

3.1 Termination of Employment By the Company Without Cause. Subject to the satisfaction of the conditions set forth in Section 3.3 and Article 4, and the limitations of Section 3.4, if an Executive's employment with the Company and its Subsidiaries is terminated by the Company or Subsidiary without Cause, the Company shall provide severance benefits to the Executive as follows:

a. The Company shall pay to the Executive an amount equal to the Executive's Severance Factor multiplied by the sum of the Executive's Base Salary and Bonus Amount. Such amount will be paid to the Executive in equal installments over the Severance Period, in accordance with payroll procedures applicable to similarly situated employees of the Company, commencing no later than 30 days after the Executive delivers to the Company an executed Release as described in Section 3.3.

b. In addition, to the benefits payable pursuant to Section 3.1(a) the Company may, in its discretion, pay to the Executive an amount equal to the Executive's Bonus Amount for the performance period in which Termination occurs, subject to any ordinary course adjustments applicable to all participants in the incentive program from which such bonus is derived. Such Bonus Amount shall be paid to the Executive in one installment in accordance with the Company's normal payroll schedule, but no later than 30 days after the Executive delivers to the Company an executed Release as described in Section 3.3.

c. Through the Health Benefits Continuation Period, the Company shall maintain in full force and pay the full cost of continuation of the Health Benefits, with the same terms in effect immediately prior to the Termination Date, provided that the Executive's continued participation is possible under the terms of the benefit plans. In the event that continued participation in the health benefits plans is not available, the Company shall arrange to provide the Executive (and to the extent applicable, his or her spouse or dependents) with benefits that are comparable to the coverage previously in force. Continuation of Health Benefits coverage shall cease on the date the Executive becomes employed and covered under another employer's benefit plan.

For US Executives, a reduction of hours resulting from termination is a "qualifying event" as defined in Section 601 et seq. of ERISA ("COBRA"). If on such date the Executive or his spouse or dependents are covered under the group health benefit plan, they will be eligible to continue benefits pursuant to COBRA. During the Health Benefits Continuation Period, the Company will subsidize the full cost of COBRA health benefits coverage. Receipt of the subsidy is contingent upon the Executive enrolling in COBRA in a timely manner. Following the expiration of the Health Benefits Continuation Period, the Executive will be responsible for paying the full cost of continued coverage for the remainder of the applicable COBRA period.

3.2 Events Not Constituting Termination of Employment Without Cause. Severance benefits shall not be provided under the Plan for any Executive in the following instances:

a. the Executive's voluntary resignation for any reason (with or without notice), including retirement;
b. the Executive's death;
c. the Executive's commencement of a leave of absence (including military service leave);
d. a physical or mental condition entitling the Executive to benefits under any sick pay or disability income policy or program of the Company or a Subsidiary or to which the Company or Subsidiary contributes;
e. the transfer of the Executive from employment with the Company or a Subsidiary to employment with an Affiliate who is not a Subsidiary;
f. the sale of the stock of the Company or a Subsidiary employing the Executive, if the Executive's employment continues thereafter;
g. the sale of all or part of the assets of the Company or a Subsidiary employing the Executive, if the Executive has been offered employment by the buyer of such assets (regardless of whether the Executive accepts such offer of employment); or
h. the outsourcing of a division, department, business unit or function if the Executive has been offered employment by the entity to which the division, department, business unit or function has been outsourced (regardless of whether the Executive accepts such offer of employment).

3.3 Benefits Conditioned on Release.

a. Receipt of the severance benefits described in Section 3.1 is conditioned upon the Executive's execution of a written release and separation agreement in form and substance satisfactory to the Company in its sole discretion (the "Release"), and the Release becoming effective in accordance with its terms and applicable law. The Release also shall contain the Executive's agreement to the restrictive covenants as described in Article 4 of the Plan. The severance benefits described in Section 3.1 shall not be paid or provided to the Executive until the Release is executed and becomes effective, and any severance payments described in Section 3.1(a) that are suspended as a result of the Release not being effective until after the Termination Date shall be included in the next regularly scheduled payroll date applicable to the Executive. The failure or refusal of an Executive to timely sign the Release, or the Executive's revocation of the Release, will disqualify the Executive from receiving the severance benefits described in Section 3.1. The Company shall provide the Release to the Executive not later than the Executive's Termination Date.
b. An Executive who is otherwise entitled to severance benefits described in Section 3.1, but within 60 days of his Termination Date does not execute, or revokes, the Release described in 3.3(a) above shall not be eligible to receive such benefits but shall be eligible to receive a severance benefit under the Plan in an amount equal to two weeks of the Executive's Base Salary. Such amount will be paid within 10 days after it is determined that the Executive has failed to timely execute the Release or has revoked the Release.

3.4 Offset of Severance Benefits. To the extent not otherwise prohibited by applicable law:

a. If any federal, state, or local law, including, without limitation, "plant closing" and "anti-takeover" laws, as well as the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §2101 et seq. or any otherwise applicable statute, requires the Company or a Subsidiary to give advance notice or make a payment of any kind to an Executive because of that individual's involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, or similar event, the benefits provided under the Plan will either be reduced or eliminated, as the case may be, by an amount equal to the payment due thereunder.

b. Severance benefits payable hereunder will be reduced by any and all severance or other similar post-termination payments that are required to be made by the Company or a Subsidiary pursuant to any applicable law, under any collective bargaining agreement, or pursuant to any employment agreement or severance arrangement between the Company or a Subsidiary and the Executive.

3.5 Withholding Taxes. The Company or Subsidiary may withhold from all payments due to an Executive (or his or her beneficiary, representative or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company or a Subsidiary is required to withhold therefrom.

3.6 Other Benefits. The Executive's entitlement to benefits under any other plan or arrangement maintained or provided by the Company or Subsidiary shall be determined in accordance with the terms thereof; provided that no Executive shall accrue or be entitled to any additional employee benefits under any plans, programs or arrangements, vacation days, paid holidays, paid sick days or other similar benefits, all of which will terminate as of the date of the Executive's Termination Date, and no severance benefits shall be taken into account in determining benefits under any retirement or pension plan.

3.7 Death. If the Executive dies before receiving the severance benefits described herein:

a. the severance pay to which the Executive is entitled pursuant to Section 3.1(a) or 3.3(b) shall be distributed to the Executive's designated beneficiary, or if none, then to his representative or estate; and
b. the Executive's eligible spouse and dependents shall continue to be eligible for continued Health Benefits during the Severance Period and for continued Health Benefits pursuant to COBRA at the end of the Severance Period, in accordance with Section 3.1(b).

Article 4. Restrictive Covenants.

4.1 Acknowledgement and Agreement. As a condition to receiving the severance benefits described in the Plan, the Executive must, as part of the Release described in Section 3.3, either (a) expressly acknowledge and agree that the Executive will continue to remain subject to any confidentiality, non-solicitation and/or non-competition provisions entered into in connection with any other agreement or compensation award with the Company or (b) in theabsence of such provisions in any such agreement or award, expressly agree that the Executive will be subject to the restrictive covenants described in Section 4.2 below.

4.2 Covenant Not to Compete; Covenant Not to Solicit. An Executive to which Section 4.1(b) applies shall agree that for six months after the Executive's Termination Date:

a. the Executive shall not work on the account of any client of the Company with whom such Executive had a direct relationship or as to which the Executive had a significant supervisory responsibility or otherwise was significantly involved at any time during the two years prior to such Termination Date;
b. the Executive shall not hire, solicit for hire, or assist any other person in soliciting or hiring any employment candidate with whom the Executive has had contact while at the Company during the two years prior to such Termination Date;
c. with respect to an Executive whose principal responsibilities are of a corporate nature or for a corporate department (e.g., finance, tax, treasury, legal, business affairs, etc.) and do not principally involve client service related functions, such Executive shall not work for or provide services to a principal competitor of the Company in a substantially similar corporate function as such Executive held with the Company during the two-year period prior to the Executive's Termination Date, or with respect to an Executive whose principal responsibilities are of a client service related nature (e.g., executive recruiting or search, etc.), such Executive shall not work for or provide services to a competitor of the Company on the account of any substantial competitor of any client of the Company for which such Executive had substantial responsibility during the two-year period prior to the Termination Date and shall not work directly for such a competitor of such a client; and
d. the Executive may not (i) directly or indirectly solicit or hire, or assist any other person in soliciting or hiring, any person who, as of the Executive's Termination Date, was employed by the Company or was in the process of being recruited for employment by the Company, or (ii) induce any such person to terminate his or her employment with or recruitment by the Company.

4.3 Remedies.

a. If the Company in good faith determines that the Executive has breached any of the restrictive covenants described in Section 4.1 or 4.2 as applicable, the Company shall cease providing any of the severance benefits described in Section 3.1 and the Executive shall promptly repay to the Company any amount equal to the aggregate of the severance payments described in Section 3.1(a) previously received from the Company.

b. These restrictive covenants are in addition to any other rights the Company may have in law or at equity or under any other agreement.
c. The Executive shall further agree that it is impossible to measure in money the damages which will accrue to the Company in the event the Executive breaches the restrictive covenants. Therefore, if the Company shall institute any action or proceeding to enforce the provisions hereof, the Executive shall agree to waive the claim or defense that the Company has an adequate remedy at law and the Executive shall agree not to assert in any such action or proceeding the claim or defense that the Company has an adequate remedy at law. The foregoing shall not prejudice the Company's right to require the Executive to account for and pay over to the Company any profit obtained by the Executive as a result of any transaction constituting a breach of the restrictive covenants.

Article 5. Administration.

5.1 Committee. The Plan shall be administered by the Committee. The Committee shall have full authority, consistent with the Plan, to administer the Plan, including the authority to make participation decisions and the authority to interpret and construe any provisions of the Plan. The Committee may, subject to the provisions of the Plan, establish such rules and regulations as it deems necessary or advisable for the proper administration of the Plan, and may make determinations and may take such other action in connection with or in relation to the Plan as it deems necessary or advisable. The decisions of the Committee shall be final and binding on all parties.

5.2 Indemnification. No member of the Board of the Directors of the Company or the Committee shall be liable for any action taken or determination made hereunder in good faith. Service on the Committee shall constitute service as a member of the Board so that the members of the Committee shall be entitled to indemnification and reimbursement as directors of the Company pursuant to the Company's Restated Certificate of Incorporation and By-Laws.

Article 6. Claims Procedure.

6.1 Claims Procedures.

a. An Executive claiming a benefit under the Plan that has been denied for any reason may file a written claim with the Committee. The Executive will be notified in writing within 90 days after the claim is filed (or the Executive will receive a written notice within such 90 days stating an additional 90 days is needed to rule upon the claim, in which case the Executive will receive a written notice within 180 days). If the claim is denied, the notification will (i) indicate the reasons for the denial and cite the specific Plan provisions on which the denial is based; (ii) describe any additional information that may be needed for approval of the Executive's claim; and (iii) explain the review procedure.
b. If this claim is denied, the Executive may request a review of the claim denial within 60 days after receipt of the denial notice. The Executive may request in writing the opportunity to review pertinent documents prior to submission of a written appeal. Within 60 days after receiving the written appeal, the Committee will notify the Executive in writing of its final decision (or the Executive will receive a written notice within such 60 days stating an additional 60 days is needed to rule upon the claim, in which case the Executive will receive a written notice within 120 days). This decision will contain specific reasons and cite the Plan provisions on which the denial is based.

6.2 Arbitration of Disputes.

a. Any disagreement, dispute, controversy or claim arising out of or relating to the Plan or the interpretation or validity hereof not settled under the claims procedure in Section 6.1 shall be settled exclusively and finally by binding arbitration. It is specifically understood and agreed that any disagreement, dispute or controversy which cannot be resolved between the parties, including without limitation any matter relating to the interpretation of the Plan, shall be submitted to arbitration irrespective of the magnitude thereof, the amount in controversy or whether such disagreement, dispute or controversy would otherwise be considered justifiable or ripe for resolution by a court or arbitral tribunal.
b. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"), except as otherwise provided below.
c. Any disagreement, dispute, controversy or claim arising out of or relating to the Plan or the interpretation or validity hereof not settled under the claims procedure in Section 6.1 shall be settled exclusively and finally by binding arbitration. It is specifically understood and agreed that any disagreement, dispute or controversy which cannot be resolved between the parties, including without limitation any matter relating to the interpretation of the Plan, shall be submitted to arbitration irrespective of the magnitude thereof, the amount in controversy or whether such disagreement, dispute or controversy would otherwise be considered justifiable or ripe for resolution by a court or arbitral tribunal.
d. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"), except as otherwise provided below.
e. Any disagreement, dispute, controversy or claim arising out of or relating to the Plan or the interpretation or validity hereof not settled under the claims procedure in Section 6.1 shall be settled exclusively and finally by binding arbitration.

It is specifically understood and agreed that any disagreement, dispute or controversy which cannot be resolved between the parties, including without limitation any matter relating to the interpretation of the Plan, shall be submitted to arbitration irrespective of the magnitude thereof, the amount in controversy or whether such disagreement, dispute or controversy would otherwise be considered justifiable or ripe for resolution by a court or arbitral tribunal.

f. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"), except as otherwise provided below.
g. Any disagreement, dispute, controversy or claim arising out of or relating to the Plan or the interpretation or validity hereof not settled under the claims procedure in Section 6.1 shall be settled exclusively and finally by binding arbitration. It is specifically understood and agreed that any disagreement, dispute or controversy which cannot be resolved between the parties, including without limitation any matter relating to the interpretation of the Plan, shall be submitted to arbitration irrespective of the magnitude thereof, the amount in controversy or whether such disagreement, dispute or controversy would otherwise be considered justifiable or ripe for resolution by a court or arbitral tribunal.
h. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA"), except as otherwise provided below.
i. The arbitral tribunal shall consist of one arbitrator. The parties to the arbitration jointly shall directly appoint such arbitrator within 30 days of initiation of the arbitration. If the parties shall fail to appoint such arbitrator as provided above, such arbitrator shall be appointed in accordance with the Arbitration Rules of the AAA and shall be a person who (i) maintains his or her or her principal place of business within 30 miles of the location of the arbitration as set forth in Section (d) of this Section 6.2 and (ii) has had substantial experience in mergers and acquisitions. The party who does not prevail in the arbitration shall pay all of the fees and expenses of such arbitrator and any related costs.
j. The arbitration shall be conducted within 30 miles of the Participant's principal work location, or in such other city in the United States of America as the parties to the dispute may designate by mutual written consent.
k. At any oral hearing of evidence in connection with the arbitration, each party thereto or its legal counsel shall have the right to examine its witnesses and to cross-examine the witnesses of any opposing party. No evidence of any witness shall be presented unless the opposing party or parties shall have the opportunity to cross-examine such witness, except as the parties to the dispute otherwise agree in writing.
l. Any decision or award of the arbitral tribunal shall be final and binding upon the parties to the arbitration proceeding. The parties hereto hereby waive to the extent permitted by law any rights to appeal or to seek review of such award by any court or tribunal. The parties hereto agree that the arbitral award may be enforced against the parties to the arbitration proceeding or their assets wherever they may be found and that a judgment upon the arbitral award may be entered in any court having jurisdiction.
m. Nothing herein contained shall be deemed to give the arbitral tribunal any authority, power, or right to alter, change, amend, modify, add to, or subtract from any of the provisions of the Plan.

6.3 Limitations on Claims. The claims procedure described in Section 6.1 herein must be exhausted before the Executive or his representative can pursue the claim further. All claims, including claims not subject to the claims procedures, must be commenced within three years after the cause of action accrues; provided, however, that all claims for penalties for failure of the Committee to provide documents the Executive has requested must be commenced within one year after the first time the Executive requested the documents.

Article 7. Amendment and Termination of the Plan.

The Board of Directors of the Company has the right in its sole discretion to amend, reduce, suspend, modify and/or terminate the Plan in whole or in part at any time by formal written action, without either the consent of, or prior notification to, any Executive. Executives have no vested rights to any benefits under the Plan.

Article 8. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan and Executives shall have no claim against the Company or its assets other than as unsecured general creditors.

Notwithstanding the foregoing, the Company may establish a trust or purchase other property to assist it in meeting its obligations hereunder; provided, however, that in no event shall any Executive have any interest in such trust or property other than as an unsecured general creditor, and this provision shall not apply to the extent funding would result in noncompliance with Section 409A(b) of the Code.

Article 9. Miscellaneous.

9.1 Nonalienation of Benefits. No Executive shall have the right to alienate, anticipate, commute, plead, encumber or assign any of the benefits or payments which he or she has not yet actually received under this Plan.

9.2 Employment Status. The employment of the Executive by the Company or Subsidiary is “at will.” The Plan does not constitute a contract of employment or impose on the Company or a Subsidiary any obligation to retain the Executive as an employee, to change the status of the Executive’s employment, or to change the policies of the Company or Subsidiary regarding termination of employment.

9.3 Payment Limitations. It is intended that all or most of the severance benefits payable under the Plan will be exempt from Section 409A of the Internal Revenue Code (“409A”) pursuant to Treas. Reg. §1.409A-1(b)(4) or §1.409A-1(b)(9)(iii) and (iv). If, however, on the Executive’s Termination Date he or she is a “Key Employee” as determined in accordance with the procedures set forth in Treas. Reg. §1.409A-1(i), any amounts payable to the Executive that are subject to Section 409A of the Internal Revenue Code shall not be paid until six months following the Executive’s Termination Date, or if earlier, the Executive’s subsequent death. For purposes of Treas. Reg. §1.409A-2(b)(2), each installment payment shall be treated as a separate payment.

9.4 Indemnification. The Company shall indemnify the Executive and hold the Executive harmless from and against any claim, loss or cause of action arising from or out of the Executive’s performance as an officer, director or employee of the Company or any of its Subsidiaries or in any other capacity, including any fiduciary capacity, in which the Executive serves at the request of the Company to the maximum extent permitted by applicable law and the Company’s Certificate of Incorporation and By-Laws, provided that in no event shall the protection afforded to the Executive hereunder be less than that afforded under the Company’s Certificate of Incorporation and By-Laws.

9.5 Beneficiaries. Each Executive may designate one or more persons or entities as the primary and/or contingent beneficiaries of any amounts owing to the Executive under the Plan. Such designation must be in the form of a signed writing acceptable to the Committee. Executives may make or change such designations at any time.

9.6 Number. Except where otherwise indicated by the context, the plural shall include the singular, and the singular shall include the plural.

9.7 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included. Further, the captions of the Plan are not part of the provisions hereof and shall have no force and effect.

9.8 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Illinois shall be the controlling law in all matters relating to the Plan.

9.9 Notices. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given when delivered or five days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to the Company:
Heidrick & Struggles International, Inc.
233 South Wacker Drive, Suite 4900
Chicago, Illinois 60606
Attention: General Counsel

If to an Executive, the Executive’s last known address as indicated in the Company’s personnel records, or to such other address as either party may have provided to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9.10 Effective Date. The effective date of this Plan as amended and restated is December 31, 2020. The Plan shall apply with respect to any Executive’s termination of employment occurring on and after such date.

Article 10. General Information.

Plan Name: Heidrick & Struggles International, Inc.
Management Severance Pay Plan
Type of Plan: Welfare
Name and Address Plan Heidrick & Struggles International, Inc.
Sponsor: 233 S. Wacker Drive, Suite 4900
Chicago, IL 60606
Plan Sponsor EIN: 36-2681268

(Heidrick & Struggles International, Inc.)
Plan Administrator: Human Resources & Compensation Committee
Heidrick & Struggles International, Inc. 233 S.
Wacker Drive, Suite 4900
Chicago, IL 60606
Attn: General Counsel
Plan Number: 506
Plan Year: The 12-month period ending each December 31.
Agent for Service of Legal Service of legal process may be made upon the
Process: Company at the above address.
Plan Costs: Costs of the Plan are paid by the Company
out of its general assets
Insurance: Benefits provided by the Plan are not insured by
the Pension Benefit Guaranty Corporation under
Title IV of ERISA, because the insurance
provisions under ERISA are not applicable to the
Plan.

Article 11. Statement of ERISA Rights.

As a participant in the Plan, an Executive is entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants will be entitled to:

(1) examine, without charge, at the Committee's office and at other specified locations, all Plan documents, including a copy of the latest annual report (Form 5500 Series), if any, filed by the Plan with the U. S. Department of Labor; and

(2) obtain, upon written request, copies of all Plan documents and other Plan information, including a copy of the latest annual report (Form 5500 Series). The Committee may make a reasonable charge for the copies.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of Executives and their beneficiaries. No one, including an employer, union, or any other person, may fire an Executive or otherwise discriminate against an Executive in any way to prevent him or her from obtaining a benefit or from exercising their rights under ERISA.

If a claim for a benefit is denied or ignored in whole or in part, the Executive must receive a written explanation of the reason for the denial. In addition, the Executive has a right to obtain copies of documents relating to the decision without charge. An Executive has the right to have the Committee review and reconsider the claim.

Under ERISA, there are steps the Executive can take to enforce the above rights. For instance, if the Executive requests a copy of Plan documents or the latest annual report for the Plan from the Committee and does not receive them within 30 days, he or she may file suit in a federal court. In such a case, the court may require the Committee to provide the materials and pay the Executive up to $110 a day until he or she receives the materials, unless the materials were not sent because of reasons beyond the control of the Committee.

If the Executive has a claim for benefits which is denied or ignored, in whole or in part, the Executive may file suit in a state or federal court, subject to the Plan's claims procedures, including any arbitration requirements. If it should happen that Plan fiduciaries misuse the Plan's money (if any), or if the Executive is discriminated against for asserting his or her rights, the Executive may seek assistance from the U.S. Department of Labor, or the Executive may file suit in a federal court, subject to the Plan's claims procedures, including any arbitration requirements.

If an Executive has any questions about the Plan, he or she should contact the Committee. If an Executive has any questions about this statement, or about his or her rights under ERISA, or if the Executive needs assistance in obtaining documents from the Committee, the Executive should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or at 200 Constitution Avenue N.W., Washington, D.C. 20210. The Executive may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

SUBSIDIARIES OF HEIDRICK & STRUGGLES INTERNATIONAL, INC.

The following are subsidiaries of Heidrick & Struggles International, Inc. as of December 31, 2020:

BEIJING HEIDRICK & STRUGGLES INTERNATIONAL MANAGEMENT CONSULTING COMPANY LIMITED, a China limited partnership (joint venture 90% ownership)

HEIDRICK & STRUGGLES LEADERSHIP CONSULTING, LTD., a UK corporation

H&S HOLDINGS LIMITED, a Thailand corporation

H&S SOFTWARE DEVELOPMENT and KNOWLEDGE MANAGEMENT CENTRE PRIVATE LIMITED, an India corporation

HEIDRICK & STRUGGLES AB, a Sweden corporation

HEIDRICK & STRUGGLES AG, a Switzerland corporation

HEIDRICK & STRUGGLES ARGENTINA S.A., an Argentina corporation

HEIDRICK & STRUGGLES ASIA-PACIFIC, LLC, a Delaware limited liability company

HEIDRICK & STRUGGLES AUSTRALIA PTY., LTD., an Australia corporation

HEIDRICK & STRUGGLES B.V., a Netherlands corporation

HEIDRICK & STRUGGLES CANADA, INC., a Canada corporation

HEIDRICK & STRUGGLES (CAYMAN ISLANDS), INC., a Cayman Islands corporation

HEIDRICK & STRUGGLES CYPRUS LTD., a Cyprus corporation

HEIDRICK & STRUGGLES DO BRASIL LTDA., a Brazil corporation

HEIDRICK & STRUGGLES ESPANA, INC., an Illinois corporation

HEIDRICK & STRUGGLES FAR EAST LIMITED, a Hong Kong corporation

HEIDRICK & STRUGGLES (GIBRALTAR) HOLDINGS LIMITED, a Gibraltar corporation

HEIDRICK & STRUGGLES (GIBRALTAR) LIMITED, a Gibraltar corporation

HEIDRICK & STRUGGLES HOLDING B.V., a Netherlands corporation

HEIDRICK & STRUGGLES HOLDING DO BRASIL LTDA, a Brazil corporation

HEIDRICK & STRUGGLES HOLDINGS C.V., a Netherlands limited partnership

HEIDRICK & STRUGGLES HONG KONG, LTD., an Illinois corporation

HEIDRICK & STRUGGLES, INC., a Delaware corporation

HEIDRICK & STRUGGLES (INDIA) PRIVATE LIMITED, an India corporation

HEIDRICK & STRUGGLES INTERNATIONAL S.R.L, an Italy corporation

HEIDRICK & STRUGGLES JAPAN GODO KAISHA, a Japan limited liability company

HEIDRICK & STRUGGLES JAPAN, LTD., an Illinois corporation

Exhibit 21.01

HEIDRICK & STRUGGLES KB PARTNERSHIP, a Sweden partnership

HEIDRICK & STRUGGLES (KOREA), INC., a Korea corporation

HEIDRICK & STRUGGLES LATIN AMERICA, INC., an Illinois corporation

HEIDRICK & STRUGGLES (MIDDLE EAST) LTD., a Dubai corporation

HEIDRICK & STRUGGLES (NZ) LIMITED, a New Zealand corporation

HEIDRICK & STRUGGLES (RUSSIA) LLC, a Russia corporation

HEIDRICK & STRUGGLES S.A. de C.V., a Mexico corporation

HEIDRICK & STRUGGLES (SHP) LIMITED, a UK corporation

HEIDRICK & STRUGGLES SINGAPORE PTE LTD., a Singapore corporation

HEIDRICK & STRUGGLES SP. ZO.O, a Poland corporation

HEIDRICK & STRUGGLES RECRUITMENT (THAILAND), LTD., a Thailand corporation

HEIDRICK & STRUGGLES (UK) FINANCE COMPANY LIMITED, a United Kingdom company

HEIDRICK & STRUGGLES (UK) LIMITED, a United Kingdom corporation

HEIDRICK & STRUGGLES UNTERNEHMENSBERATUNG GMBH & CO. KG, a Germany limited partnership

HEIDRICK & STRUGGLES UNTERNEHMENSBERATUNG VERWALTUNG, GMBH, a Germany limited liability company

HEIDRICK & STRUGGLES A/S, a Denmark corporation

HEIDRICK & STRUGGLES IRELAND, LIMITED, an Ireland corporation

SHPA ESOP LTD., a UK corporation

SENN-DELANEY LEADERSHIP CONSULTING GROUP, LLC, a California limited liability company

SCAMBLER MACGREGOR EXECUTIVE SEARCH PTY. LIMITED, an Australian corporation

JCA GROUP LIMITED, a UK corporation

JCA BOARD PRACTICE LIMITED, a UK corporation

JCA SEARCH LIMITED, a UK corporation

HEIDRICK & STRUGGLES RECRUTAMENTO & CONSULTIVO HOLDING LTDA., a Brazilian corporation

HEIDRICK & STRUGGLES RDJ RECRUTAMENTO & CONSULTIVO LTDA., a Brazilian corporation

HEIDRICK & STRUGGLES RECRUTAMENTO ESPECIALIZADO LTDA., a Brazilian corporation

2GET LABS CONSULTORIA EM GESTAO EMPRESARIAL LTDA., a Brazilian Corporation

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (No. 333-239337, No. 333-225436, No. 333-181712, No. 333-147476, No. 333-130143, No. 333-82424, No. 333-58118, No. 333-32544, and No. 333-73443) on Form S-8 of Heidrick & Struggles International, Inc. of our reports dated February 24, 2021, relating to the consolidated financial statements, and the effectiveness of internal control over financial reporting of Heidrick & Struggles International, Inc., appearing in this Annual Report on Form 10-K of Heidrick & Struggles International, Inc. for the year ended December 31, 2020.

/s/ RSM US LLP

Chicago, Illinois
February 24, 2021

CERTIFICATION

I, Krishnan Rajagopalan, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 2021

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

CERTIFICATION

I, Mark R. Harris, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 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 Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2021

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

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 Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2021

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