UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023

OR

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

For the transition period from _______ to _______

Commission File Number: 0-25837

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

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

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

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

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

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

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

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

As of July 28, 2023, there were 20,007,771 shares of the Company's common stock outstanding.

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

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

	June 30, 2023	December 31, 2022
	(Unaudited)	
Current assets		
Cash and cash equivalents	$ 217,776	$ 355,447
Marketable securities	21,240	266,169
Accounts receivable, net of allowances of $6,979 and $6,643, respectively	197,899	126,437
Prepaid expenses	27,401	24,098
Other current assets	50,622	40,722
Income taxes recoverable	8,397	10,946
Total current assets	523,335	823,819
Non-current assets		
Property and equipment, net	33,330	30,207
Operating lease right-of-use assets	69,692	71,457
Assets designated for retirement and pension plans	11,552	11,332
Investments	44,357	34,354
Other non-current assets	22,082	25,788
Goodwill	198,639	138,361
Other intangible assets, net	26,903	6,333
Deferred income taxes	34,565	33,987
Total non-current assets	441,120	351,819
Total assets	$ 964,455	$ 1,175,638
Current liabilities		
Accounts payable	$ 15,477	$ 14,613
Accrued salaries and benefits	193,858	451,161
Deferred revenue	44,102	43,057
Operating lease liabilities	21,221	19,554
Other current liabilities	36,017	56,016
Income taxes payable	8,118	4,076
Total current liabilities	318,793	588,477
Non-current liabilities		
Accrued salaries and benefits	48,444	59,467
Retirement and pension plans	58,951	48,456
Operating lease liabilities	60,326	63,299
Other non-current liabilities	42,005	5,293
Deferred income taxes	7,619	—
Total non-current liabilities	217,345	176,515
Total liabilities	536,138	764,992
Commitments and contingencies (Note 18)		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued at June 30, 2023 and December 31, 2022	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 20,037,959 and 19,866,287 shares issued, 20,007,771 and 19,861,207 shares outstanding at June 30, 2023 and December 31, 2022, respectively	200	199
Treasury stock at cost, 30,188 and 5,080 shares at June 30, 2023 and December 31, 2022, respectively	(819)	(191)
Additional paid in capital	246,226	246,630
Retained earnings	186,531	168,197
Accumulated other comprehensive loss	(3,821)	(4,189)
Total stockholders' equity	428,317	410,646
Total liabilities and stockholders' equity	$ 964,455	$ 1,175,638

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

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenue				
Revenue before reimbursements (net revenue)	$ 271,225	$ 298,701	$ 510,542	$ 582,562
Reimbursements	2,552	2,408	5,354	4,084
Total revenue	273,777	301,109	515,896	586,646
Operating expenses				
Salaries and benefits	178,916	207,684	337,775	409,129
General and administrative expenses	40,514	35,203	74,841	64,997
Cost of services	25,306	17,403	48,138	35,391
Research and development	5,658	4,545	11,186	8,947
Impairment charges	7,246	—	7,246	—
Reimbursed expenses	2,552	2,408	5,354	4,084
Total operating expenses	260,192	267,243	484,540	522,548
Operating income	13,585	33,866	31,356	64,098
Non-operating income (expense)				
Interest, net	1,913	299	5,162	409
Other, net	1,377	774	3,186	(1,697)
Net non-operating income (expense)	3,290	1,073	8,348	(1,288)
Income before income taxes	16,875	34,939	39,704	62,810
Provision for income taxes	7,893	10,790	15,136	20,194
Net income	8,982	24,149	24,568	42,616
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(88)	(7,524)	314	(8,606)
Net unrealized gain on available-for-sale investments	13	—	54	—
Other comprehensive income (loss), net of tax	(75)	(7,524)	368	(8,606)
Comprehensive income	$ 8,907	$ 16,625	$ 24,936	$ 34,010
Weighted-average common shares outstanding				
Basic	20,010	19,726	19,958	19,675
Diluted	20,637	20,314	20,701	20,485
Earnings per common share				
Basic	$ 0.45	$ 1.22	$ 1.23	$ 2.17
Diluted	$ 0.44	$ 1.19	$ 1.19	$ 2.08
Cash dividends paid per share	$ 0.15	$ 0.15	$ 0.30	$ 0.30

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

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

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	19,866	$ 199	5	$ (191)	$ 246,630	$ 168,197	$ (4,189)	$ 410,646
Net income	—	—	—	—	—	15,586	—	15,586
Other comprehensive income, net of tax	—	—	—	—	—	—	443	443
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	1,853	—	—	1,853
Vesting of equity awards, net of tax withholding	172	1	—	—	(4,142)	—	—	(4,141)
Clawback of equity awards	—	—	5	(163)	—	—	—	(163)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(3,006)	—	(3,006)
Dividend equivalents on restricted stock units	—	—	—	—	—	(106)	—	(106)
Balance at March 31, 2023	20,038	$ 200	10	$ (354)	$ 244,341	$ 180,671	$ (3,746)	$ 421,112
Net income	—	—	—	—	—	8,982	—	8,982
Other comprehensive loss, net of tax	—	—	—	—	—	—	(75)	(75)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	1,919	—	—	1,919
Repurchase of common stock	—	—	36	(904)	—	—	—	(904)
Re-issuance of treasury stock	—	—	(16)	439	(34)	—	—	405
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(3,003)	—	(3,003)
Dividend equivalents on restricted stock units	—	—	—	—	—	(119)	—	(119)
Balance at June 30, 2023	20,038	200	30	(819)	246,226	186,531	(3,821)	428,317

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

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

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	19,597	$ 196	5	$ (191)	$ 233,163	$ 101,177	$ 1,675	$ 336,020
Net income	—	—	—	—	—	18,467	—	18,467
Other comprehensive loss, net of tax	—	—	—	—	—	—	(1,082)	(1,082)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	3,698	—	—	3,698
Vesting of equity awards, net of tax withholding	126	1	—	—	(3,220)	—	—	(3,219)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,940)	—	(2,940)
Dividend equivalents on restricted stock units	—	—	—	—	—	(179)	—	(179)
Balance at March 31, 2022	19,723	$ 197	5	$ (191)	$ 233,641	$ 116,525	$ 593	$ 350,765
Net income	—	—	—	—	—	24,149	—	24,149
Other comprehensive loss, net of tax	—	—	—	—	—	—	(7,524)	(7,524)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	3,784	—	—	3,784
Vesting of equity awards	19	—	—	—	404	—	—	404
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,957)	—	(2,957)
Dividend equivalents on restricted stock units	—	—	—	—	—	(147)	—	(147)
Balance at June 30, 2022	19,742	$ 197	5	$ (191)	$ 237,829	$ 137,570	$ (6,931)	$ 368,474

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

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

	Six Months Ended June 30,	
	2023	2022
Cash flows - operating activities		
Net income	$ 24,568	$ 42,616
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	8,692	5,241
Deferred income taxes	6,446	(246)
Stock-based compensation expense	3,772	7,482
Accretion expense related to earnout payments	642	545
Gain on marketable securities	(1,694)	—
Loss on disposal of property and equipment	131	309
Impairment charges	7,246	—
Changes in assets and liabilities:		
Accounts receivable	(59,990)	(84,783)
Accounts payable	(2,914)	(3,944)
Accrued expenses	(273,811)	(124,281)
Deferred revenue	543	(1,527)
Income taxes recoverable and payable, net	(2,588)	(8,114)
Retirement and pension plan assets and liabilities	6,403	3,297
Prepaid expenses	(2,635)	(4,670)
Other assets and liabilities, net	(4,902)	(11,437)
Net cash used in operating activities	(290,091)	(179,512)
Cash flows - investing activities		
Acquisition of businesses, net of cash acquired	(35,749)	—
Capital expenditures	(6,814)	(4,236)
Purchases of marketable securities and investments	(27,683)	(5,358)
Proceeds from sales of marketable securities and investments	268,118	990
Net cash provided by (used in) investing activities	197,872	(8,604)
Cash flows - financing activities		
Repurchases of common stock	(904)	—
Cash dividends paid	(6,234)	(6,223)
Payment of employee tax withholdings on equity transactions	(4,141)	(3,219)
Acquisition earnout payments	(35,946)	—
Net cash used in financing activities	(47,225)	(9,442)
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	1,772	(11,051)
Net decrease in cash, cash equivalents and restricted cash	(137,672)	(208,609)
Cash, cash equivalents and restricted cash at beginning of period	355,489	545,259
Cash, cash equivalents and restricted cash at end of period	$ 217,817	$ 336,650

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

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited Condensed Consolidated Financial Statements of Heidrick & Struggles International, Inc. and subsidiaries (the "Company") have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Significant items subject to estimates and assumptions include revenue recognition, income taxes, interim effective tax rate and the assessment of goodwill, other intangible assets and long-lived assets for impairment. Estimates are subject to a degree of uncertainty and actual results could differ from these estimates. In the opinion of management, all adjustments necessary to fairly present the financial position of the Company at June 30, 2023 and December 31, 2022, the results of operations for the three and six months ended June 30, 2023 and 2022 and its cash flows for the six months ended June 30, 2023 and 2022 have been included and are of a normal, recurring nature except as otherwise disclosed. These financial statements and notes are to be read in conjunction with the Company’s Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 27, 2023.

2. Summary of Significant Accounting Policies

A complete listing of the Company’s significant accounting policies is discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

Revenue Recognition

See Note 3*, Revenue.*

Cost of Services

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

Research and Development

Research and development (“R&D”) expense consists of payroll, employee benefits, stock-based compensation, other employee expenses and third-party professional fees associated with the development of new technologies to enhance existing products and services and to expand the range of the Company's offerings. The benefits from the Company's R&D efforts are intended to be utilized to develop and enhance new and existing services and products across the Company's current offerings in Executive Search, Heidrick Consulting and On-Demand Talent, and for products and services in new segments that the Company may embark upon in the future from time to time.

Marketable Securities

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

Restricted Cash

The following table provides a reconciliation of the cash and cash equivalents between the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Cash Flows as of June 30, 2023 and 2022, and December 31, 2022 and 2021:

	June 30,		December 31,	
	2023	2022	2022	2021
Cash and cash equivalents	$ 217,776	$ 336,634	$ 355,447	$ 545,225
Restricted cash included within other non-current assets	41	16	42	34
Total cash, cash equivalents and restricted cash	$ 217,817	$ 336,650	$ 355,489	$ 545,259

Earnings per Common Share

Basic earnings per common share are computed by dividing net income by weighted average common shares outstanding for the period. 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 per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 8,982	$ 24,149	$ 24,568	$ 42,616
Weighted average shares outstanding:				
Basic	20,010	19,726	19,958	19,675
Effect of dilutive securities:				
Restricted stock units	516	455	584	608
Performance stock units	111	133	159	202
Diluted	20,637	20,314	20,701	20,485
Basic earnings per share	$ 0.45	$ 1.22	$ 1.23	$ 2.17
Diluted earnings per share	$ 0.44	$ 1.19	$ 1.19	$ 2.08

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 the Company's Condensed Consolidated Balance Sheets. The Company does not have any leases that meet the finance lease criteria.

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

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

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, 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 five reporting units: Americas, Europe (which includes Africa), Asia Pacific (which includes the Middle East), On-Demand Talent and Heidrick Consulting. 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.

On October 31, 2022, the Company conducted its annual goodwill impairment evaluation, which indicated that the carrying value of the Heidrick Consulting reporting unit was less than its fair value. During the three months ended June 30, 2023, the Company acquired businessfourzero and recorded approximately $7.1 million of goodwill in the Heidrick Consulting reporting unit. Due to the inclusion of goodwill in a reporting unit with a pre-existing fair value shortfall, the Company evaluated the recent and anticipated future financial performance of the Heidrick Consulting reporting unit and determined that it was more likely than not that the fair value of the reporting unit was less than its carrying value. As a result, the Company identified a triggering event and performed an interim goodwill impairment evaluation during the three months ended June 30, 2023.

During the impairment evaluation process, the Company used a discounted cash flow methodology to estimate the fair value of each 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 Heidrick Consulting reporting unit was impaired, which resulted in an impairment charge of $7.2 million to write-off all of the associated goodwill. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2023, and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023. The impairment was non-cash in nature and did not affect the Company's current liquidity, cash flows, borrowing capability or operations; nor did it impact the debt covenants under the Company's credit agreement.

Recently Issued Financial Accounting Standards

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update 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, 2024. The Company is currently evaluating the impact of this accounting guidance. The new guidance is not expected to have a material effect on the Company's financial statements.

3. Revenue

Executive Search

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

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

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

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

On-Demand Talent

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

Heidrick Consulting

Revenue is recognized as performance obligations are satisfied by transferring a good or service to a client. Heidrick Consulting enters into contracts with clients that outline the general terms and conditions of the assignment to provide succession planning, executive assessment, top team and board effectiveness and culture shaping programs. The consideration the Company expects to receive under each contract is generally fixed. Most of the Company's consulting contracts contain one performance obligation, which is the overall process of providing the consulting service requested by the client. The majority of the Company's 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 Condensed Consolidated Balance Sheets.

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

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

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

The following table outlines the changes in the contract asset and liability balances from December 31, 2022 to June 30, 2023:

	June 30, 2023	December 31, 2022	Change
Contract assets			
Unbilled receivables, net	$ 18,387	$ 13,940	$ 4,447
Contract assets	18,194	21,348	(3,154)
Total contract assets	36,581	35,288	1,293
Contract liabilities			
Deferred revenue	$ 44,102	$ 43,057	$ 1,045

During the six months ended June 30, 2023, the Company recognized revenue of $34.2 million that was included in the contract liabilities balance at the beginning of the period. The amount of revenue recognized during the six months ended June 30, 2023 from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $14.4 million.

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

4. Credit Losses

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

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

Balance at December 31, 2022	$ 6,643
Provision for credit losses	3,703
Write-offs	(3,373)
Foreign currency translation	6
Balance at June 30, 2023	$ 6,979

There were no investments with unrealized losses at June 30, 2023. At December 31, 2022, 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, 2022	Fair Value	Unrealized Loss	Cash and Cash Equivalents	Marketable Securities
U.S. Treasury securities	$ 194,056	$ 56	$ 11,918	$ 182,138

The unrealized loss on one investment in U.S. Treasury securities at December 31, 2022 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.

5. Property and Equipment, net

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

	June 30, 2023	December 31, 2022
Leasehold improvements	$ 42,253	$ 40,829
Office furniture, fixtures and equipment	14,662	14,322
Computer equipment and software	34,645	30,085
Property and equipment, gross	91,560	85,236
Accumulated depreciation	(58,230)	(55,029)
Property and equipment, net	$ 33,330	$ 30,207

Depreciation expense for the three months ended June 30, 2023 and 2022 was $2.2 million and $1.8 million, respectively. Depreciation expense for the six months ended June 30, 2023 and 2022 was $4.2 million and $3.6 million, respectively.

6. Leases

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

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

Office leases have remaining lease terms that range from less than one year to 10.1 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.

Equipment leases, which are comprised of vehicle and office equipment leases, have remaining terms that range from less than one 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 the Condensed Consolidated Statements of Comprehensive Income were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Operating lease cost	$ 4,567	$ 4,485	$ 9,092	$ 8,843
Variable lease cost	3,071	$ 1,472	4,987	2,633
Total lease cost	$ 7,638	$ 5,957	$ 14,079	$ 11,476

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

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 10,082	$ 9,590
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 7,520	$ 3,318

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

	2023	2022
Weighted Average Remaining Lease Term		
Operating leases	6.3 years	6.3 years
Weighted Average Discount Rate		
Operating leases	3.79 %	3.27 %

The future maturities of the Company's operating lease liabilities as of June 30, 2023, for the years ended December 31 are as follows:

	Operating Lease Maturity
2023	$ 9,267
2024	21,021
2025	12,749
2026	11,186
2027	9,818
Thereafter	27,566
Total lease payments	91,607
Less: Interest	10,060
Present value of lease liabilities	$ 81,547

7. Financial Instruments and Fair Value

Cash, Cash Equivalents and Marketable Securities

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

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

	Amortized Cost	Unrealized Gains	Fair Value	Cash and Cash Equivalents	Marketable Securities
Balance at June 30, 2023					
Cash				$ 140,238	$ —
Level 1(1):					
Money market funds				14,441	—
U.S. Treasury securities	$ 84,324	$ 13	$ 84,337	63,097	21,240
Total Level 1	84,324	13	84,337	77,538	21,240
Total	$ 84,324	$ 13	$ 84,337	$ 217,776	$ 21,240

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Balance at December 31, 2022						
Cash					$ 247,198	$ —
Level 1(1):						
Money market funds					62,338	—
U.S. Treasury securities	$ 312,121	$ 15	$ (56)	$ 312,080	45,911	266,169
Total Level 1	312,121	15	(56)	312,080	108,249	266,169
Total	$ 312,121	$ 15	$ (56)	$ 312,080	$ 355,447	$ 266,169

(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 $35.5 million and $29.1 million as of June 30, 2023 and December 31, 2022, respectively.

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

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

		Balance Sheet Classification					
	Fair Value	Other Current Assets	Goodwill	Assets Designated for Retirement and Pension Plans	Investments	Other Current Liabilities	Retirement and Pension Plans
Balance at June 30, 2023							
Measured on a recurring basis:							
Level 1[(1)]:							
U.S. non-qualified deferred compensation plan	$ 44,357	$ —	$ —	$ —	$ 44,357	$ —	$ —
Level 2[(2)]:							
Retirement and pension plan assets	12,829	1,277	—	11,552	—	—	—
Pension benefit obligation	(14,223)	—	—	—	—	(1,277)	(12,946)
Total Level 2	(1,394)	1,277	—	11,552	—	(1,277)	(12,946)
Measured on a non-recurring basis:							
Level 3[(3)]:							
Goodwill[(4)]	198,639	—	198,639	—	—	—	—
Total	$ 241,602	$ 1,277	$ 198,639	$ 11,552	$ 44,357	$ (1,277)	$ (12,946)

		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, 2022						
Measured on a recurring basis:						
Level 1[(1)]:						
U.S. non-qualified deferred compensation plan	$ 34,354	$ —	$ —	$ 34,354	$ —	$ —
Level 2[(2)]:						
Retirement and pension plan assets	12,584	1,252	11,332	—	—	—
Pension benefit obligation	(13,951)	—	—	—	(1,252)	(12,699)
Total Level 2	(1,367)	1,252	11,332	—	(1,252)	(12,699)
Total	$ 32,987	$ 1,252	$ 11,332	$ 34,354	$ (1,252)	$ (12,699)

(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 $7.2 million was written down to its implied fair value of zero, resulting in the revised total goodwill of $198.6 million and an impairment charge of $7.2 million in earnings.

Contingent Consideration and Compensation

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

The following table provides a reconciliation of the beginning and ending balance of Level 3 liabilities for the six months ended June 30, 2023:

	Earnout	Contingent Compensation
Balance at December 31, 2022	$ (36,010)	$ (8,192)
Purchase accounting (See Note 8, *Acquisitions*)	(36,266)	—
Earnout accretion	(642)	—
Compensation expense	—	(5,443)
Earnout payments	35,946	—
Foreign currency translation	(306)	(817)
Balance at June 30, 2023	$ (37,278)	$ (14,452)

Earnout accruals of zero and $36.0 million were recorded within *Other current liabilities* as of June 30, 2023 and December 31, 2022, respectively, and earnout accruals of $37.3 million and zero were recorded within *Other non-current liabilities* as of June 30, 2023 and December 31, 2022, respectively. Contingent compensation accruals of $7.3 million and $1.5 million are recorded within current *Accrued salaries and benefits* as of June 30, 2023 and December 31, 2022, respectively, and contingent compensation accruals of $7.2 million and $6.7 million are recorded within non-current *Accrued salaries and benefits* as of June 30, 2023 and December 31, 2022, respectively.

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, 2023, an interim goodwill impairment evaluation was conducted to determine the fair value of the Company's goodwill. 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 six months ended June 30, 2023:

	Goodwill
Balance at December 31, 2022	$ 138,361
Acquired goodwill	66,588
Impairment	(7,246)
Foreign currency translation	936
Balance at June 30, 2023	$ 198,639

8. Acquisitions

On February 1, 2023, the Company acquired Atreus Group GmbH ("Atreus"), a leading provider of executive interim management in Germany. The Company paid $33.4 million in the first quarter of 2023, with a subsequent estimated payment of between $9.0 million and $13.0 million to be paid in 2023 upon the completion of Atreus' statutory audit for the year ended December 31, 2022, for all of the outstanding equity of Atreus. The former owners of Atreus are eligible to receive additional cash consideration, which the Company estimated on the acquisition date to be between $30.0 million and $40.0 million, based on the achievement of certain revenue and operating income milestones for the period from the acquisition date through 2025. When estimating the present value of future cash consideration, the Company accrued an estimated $32.0 million as of the acquisition date for the earnout liability. The Company recorded an estimated $11.3 million for customer relationships, $6.9 million for software, $2.5 million for a trade name and $59.5 million of goodwill. Goodwill is primarily related to the acquired workforce and strategic fit and is not deductible for tax purposes. The consideration transferred was allocated on a preliminary basis to the assets acquired and liabilities assumed on their estimated fair values at the date of acquisition. The measurement period for purchase price allocation ends when information on the facts and circumstances becomes available, not to exceed twelve months, and the Company expects to finalize its measurements for the acquisition during the third quarter of 2023 pending the completion of the statutory audit. As of June 30, 2023, the allocations remain preliminary with regard to customer relationships, software, trade name, goodwill and earnout liability.

On April 1, 2023, the Company acquired businessfourzero, a next generation consultancy specializing in developing and implementing purpose-driven change. In connection with the acquisition, the Company paid $9.5 million in the second quarter of 2023 with a subsequent estimated working capital settlement of approximately $2.0 million to be paid in the third quarter of 2023. The former owners of businessfourzero are eligible to receive additional cash consideration, which the Company estimated on the acquisition date to be between $4.0 million and $8.0 million, to be paid in 2026 based on the achievement of certain revenue and operating income metrics for the period from the acquisition date through 2025. When estimating the present value of future cash consideration, the Company accrued an estimated $4.3 million as of the acquisition date for the earnout liability. The Company recorded an estimated $3.5 million for customer relationships, $0.5 million for a trade name, and $7.1 million of goodwill. The consideration transferred was allocated on a preliminary basis to the assets acquired and liabilities assumed on their estimated fair values at the date of acquisition. The measurement period for purchase price allocation ends when information on the facts and circumstances becomes available, not to exceed twelve months, and the Company expects to finalize its measurements for the acquisition during the third quarter of 2023. As of June 30, 2023, the allocations remain preliminary with regard to customer relationships, trade name, goodwill and earnout liability.

9. Goodwill and Other Intangible Assets

Goodwill

The Company's goodwill by segment (for the segments that had recorded goodwill) is as follows:

	June 30, 2023	December 31, 2022
Executive Search		
Americas	$ 91,773	$ 91,383
Europe	1,477	1,449
Total Executive Search	93,250	92,832
On-Demand Talent	105,389	45,529
Heidrick Consulting	7,246	—
Goodwill, gross	205,885	138,361
Accumulated impairment	(7,246)	—
Total goodwill	$ 198,639	$ 138,361

Changes in the carrying amount of goodwill by segment (for the segments that had recorded goodwill) for the six months ended June 30, 2023, are as follows:

	Executive Search				
	Americas	**Europe**	**On-Demand Talent**	**Heidrick Consulting**	**Total**
Goodwill	$ 91,383	$ 1,449	$ 45,529	$ —	$ 138,361
Accumulated impairment losses	—	—	—	—	—
Balance at December 31, 2022	91,383	1,449	45,529	—	138,361
Atreus acquisition	—	—	59,515	—	59,515
businessfourzero acquisition	—	—	—	7,073	7,073
Impairment	—	—	—	(7,246)	(7,246)
Foreign currency translation	390	28	345	173	936
Goodwill	91,773	1,477	105,389	7,246	205,885
Accumulated impairment losses	—	—	—	(7,246)	(7,246)
Balance at June 30, 2023	$ 91,773	$ 1,477	$ 105,389	$ —	$ 198,639

In February 2023, the Company acquired Atreus and recorded an estimated $59.5 million of goodwill related to the acquisition in the On-Demand Talent operating segment. In April 2023, the Company acquired businessfourzero and recorded an estimated $7.1 million of goodwill related to the acquisition in the Heidrick Consulting operating segment.

On October 31, 2022, the Company conducted its annual goodwill impairment evaluation, which indicated that the carrying value of the Heidrick Consulting reporting unit was less than its fair value. During the three months ended June 30, 2023, the Company acquired businessfourzero and recorded approximately $7.1 million of goodwill in the Heidrick Consulting reporting unit. Due to the inclusion of goodwill in a reporting unit with a pre-existing fair value shortfall, the Company evaluated the recent and anticipated future financial performance of the Heidrick Consulting reporting unit and determined that it was more likely than not that the fair value of the reporting unit was less than its carrying value. As a result, the Company identified a triggering event and performed an interim goodwill impairment evaluation during the three months ended June 30, 2023.

During the impairment evaluation process, the Company used a discounted cash flow methodology to estimate the fair value of each 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 Heidrick Consulting reporting unit was impaired, which resulted in an impairment charge of $7.2 million to write-off all of the associated goodwill. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2023, and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023.. The impairment was non-cash in nature and did not affect the Company's current liquidity, cash flows, borrowing capability or operations, nor did it impact the debt covenants under the Company's credit agreement.

Other Intangible Assets, net

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

	June 30, 2023	December 31, 2022
Executive Search		
Americas	$ 36	$ 51
Europe	141	216
Asia Pacific	8	15
Total Executive Search	185	282
Heidrick Consulting	3,718	—
On-Demand Talent	23,000	6,051
Total other intangible assets, net	$ 26,903	$ 6,333

In February 2023, the Company acquired Atreus and recorded estimated customer relationships short-term, customer relationships long-term, software and trade name intangible assets in the On-Demand Talent operating segment of $6.0 million, $5.3 million, $6.9 million and $2.5 million, respectively. The combined estimated weighted-average amortization period for the acquired intangible assets is 6.4 years with estimated amortization periods of 5.0, 14.0, 3.0 and 3.0 years for the customer relationships short-term, customer relationships long-term, software and trade name, respectively. In April 2023, the Company acquired businessfourzero and recorded estimated customer relationships and trade name intangible assets in the Heidrick Consulting operating segment of $3.5 million and $0.5 million, respectively. The combined estimated weighted-average amortization period for the acquired intangible assets is 8.3 years with estimated amortization periods of 9.0 and 3.0 years for the customer relationships and trade name intangible assets, respectively.

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

		June 30, 2023			December 31, 2022		
	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	9.7	$ 26,023	$ (8,711)	$ 17,312	$ 10,720	$ (6,164)	$ 4,556
Trade name	3.0	5,041	(2,241)	2,800	2,406	(1,925)	481
Software	3.0	10,093	(3,302)	6,791	3,110	(1,814)	1,296
Total intangible assets	7.3	$ 41,157	$ (14,254)	$ 26,903	$ 16,236	$ (9,903)	$ 6,333

Intangible asset amortization expense for the three months ended June 30, 2023 and 2022 was $2.6 million and $0.8 million, respectively. Intangible asset amortization expense for the six months ended June 30, 2023 and 2022 was $4.5 million and $1.6 million, respectively.

The Company's estimated future amortization expense related to intangible assets as of June 30, 2023, for the following years ended December 31 is as follows:

2023	$ 5,172
2024	8,223
2025	6,427
2026	2,548
2027	1,523
Thereafter	3,010
Total	$ 26,903

10. Other Current and Non-current Assets and Liabilities

The components of other current assets are as follows:

	June 30, 2023	December 31, 2022
Contract assets	$ 36,581	$ 35,288
Other	14,041	5,434
Total other current assets	$ 50,622	$ 40,722

The components of other current liabilities are as follows:

	June 30, 2023	December 31, 2022
Earnout liability	$ —	$ 36,010
Other	36,017	20,006
Total other current liabilities	$ 36,017	$ 56,016

The components of other non-current liabilities are as follows:

	June 30, 2023	December 31, 2022
Earnout liability	$ 37,278	$ —
Other	4,727	5,293
Total other non-current liabilities	$ 42,005	$ 5,293

11. Line of Credit

On February 24, 2023, the Company entered into the Second Amendment (the “Second Amendment”) to the Credit Agreement, dated as of October 26, 2018 (the “Credit Agreement” and, as amended by the First Amendment to Credit Agreement, dated as of July 13, 2021, and the Second Amendment, the "Amended Credit Agreement") by and among the Company, Bank of America, N.A., as administrative agent, and the lenders party thereto. The Second Amendment replaced the interest rate benchmark, from the London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”). At the Company's option, borrowings under the Amended Credit Agreement will bear interest at one-, three- or six-month Term SOFR, or an alternate base rate as set forth in the Amended Credit Agreement, in each case plus an applicable margin. Additionally, the Second Amendment provided the Company with a committed unsecured revolving credit facility in an aggregate amount of $200 million, increased from $175 million as set forth in the Credit Agreement, which includes a sublimit of $25 million for letters of credit and a sublimit of $10 million for swingline loans, with a $75 million expansion feature. Other than the foregoing, the material terms of the Amended Credit Agreement remain unchanged. The Amended Credit Agreement matures on July 13, 2026.

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

As of June 30, 2023 and December 31, 2022, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the Amended Credit Agreement and no event of default existed.

12. Stock-Based Compensation and Common Stock

On May 25, 2023, the stockholders of the Company approved an amendment to the Company's Third Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (as so amended, the "Fourth A&R Program") to increase the number of shares of common stock reserved for issuance under the 2012 program by 1,060,000 shares. The Fourth A&R Program provides for grants of stock options, stock appreciation rights, restricted stock units, performance stock units, and other stock-based compensation awards that are valued based upon the grant date fair value of the awards. These awards may be granted to directors, selected employees and independent contractors.

As of June 30, 2023, 4,158,627 awards have been issued under the Fourth A&R Program, including 771,055 forfeited awards, and 1,022,428 shares remain available for future awards. The Fourth A&R Program provides that no awards can be granted after May 25, 2033.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Salaries and benefits (1)	$ 806	$ 1,274	$ 3,403	$ 4,178
General and administrative expenses	810	810	810	810
Income tax benefit related to stock-based compensation included in net income	445	568	1,160	1,358

(1) Includes $0.7 million and $2.1 million of income related to cash-settled restricted stock units for the three months ended June 30, 2023 and 2022, respectively and $0.1 million of expense and $2.8 million of income related to cash-settled restricted stock units for the six months ended June 30, 2023 and 2022, respectively.

Restricted Stock Units

Restricted stock units are subject to ratable vesting over a three-year or four-year period dependent upon the terms of the individual grant. Compensation expense related to service-based restricted stock units is recognized on a straight-line basis over the vesting period.

Non-employee directors of the Board of Directors may elect to receive restricted stock units or shares of common stock annually pursuant to the Fourth A&R Program as part of their annual compensation. Based on their respective elections, the Company issued 16,134 and 11,850 restricted stock units for services provided by the non-employee directors during the three months ended June 30, 2023 and 2022, respectively. Restricted stock units issued to non-employee directors remain unvested until the non-employee director retires from the Board of Directors.

Restricted stock unit activity for the six months ended June 30, 2023 is as follows:

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2022	728,285	$ 31.97
Granted	268,741	26.90
Vested and converted to common stock	(171,420)	33.07
Forfeited	(12,423)	31.30
Outstanding on June 30, 2023	813,183	$ 30.08

As of June 30, 2023, there was $10.8 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.6 years.

Performance Stock Units

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

Performance stock unit activity for the six months ended June 30, 2023 is as follows:

	Number of Performance Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2022	260,452	$ 40.02
Granted	103,916	34.14
Vested and converted to common stock	(124,743)	31.51
Forfeited	—	—
Outstanding on June 30, 2023	239,625	$ 41.91

As of June 30, 2023, there was $5.6 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 2.0 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 such vesting is subject to certain other conditions, including continued service to the Company. As a result of the cash-settlement feature of the awards, the Company classifies the awards as 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 is determined using the closing share price of the Company's common stock on that date.

The Company recorded phantom stock-based compensation income of $0.7 million and $2.1 million during the three months ended June 30, 2023 and 2022, respectively and $0.1 million of expense and $2.8 million of income related to phantom stock units during the six months ended June 30, 2023 and 2022, respectively.

Phantom stock unit activity for the six months ended June 30, 2023 is as follows:

	Number of Phantom Stock Units
Outstanding on December 31, 2022	321,155
Granted	—
Vested	—
Forfeited	(9,775)
Outstanding on June 30, 2023	311,380

As of June 30, 2023, there was $1.4 million of pre-tax unrecognized compensation expense related to unvested phantom stock units, which is expected to be recognized over a weighted average of 2.6 years.

Common Stock

Non-employee directors of the Board of Directors may elect to receive restricted stock units or shares of common stock annually pursuant to the Fourth A&R Program as part of their annual compensation. Based on their respective elections, the Company issued 16,134 and 11,850 shares of common stock for services provided by the non-employee directors during the three months ended June 30, 2023 and 2022, respectively.

On February 11, 2008, the Company's Board of Directors authorized management to repurchase shares of the Company's common stock with an aggregate purchase price of up to $50 million (the "Repurchase Authorization"). From time to time and as business conditions warrant, the Company may purchase shares of its common stock on the open market or in negotiated or block trades. No time limit has been set for completion of this program. During the three months ended June 30, 2023, the Company purchased 36,000 shares of common stock for $0.9 million. There were no purchases of shares of common stock in 2022 and prior to the 2023 purchase, the most recent purchase of the Company's shares of common stock occurred during the year ended December 31, 2012. As of June 30, 2023, the Company has purchased 1,074,670 shares of its common stock pursuant to the Repurchase Authorization for a total of $29.2 million and $20.8 million remains available for future purchases under the Repurchase Authorization.

13. Restructuring

During the year ended December 31, 2020, the Company implemented a restructuring plan (the "2020 Plan") to optimize future growth and profitability. The primary components of the 2020 Plan 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 did not incur any charges during the three and six months ended June 30, 2023 and 2022 and does not anticipate incurring any future charges under the 2020 Plan.

Changes in the restructuring accrual for the six months ended June 30, 2023 were as follows:

	Employee Related
Accrual balance at December 31, 2022	3,422
Cash payments	(3,516)
Non-cash write-offs	—
Exchange rate fluctuations	94
Accrual balance at June 30, 2023	$ —

Restructuring accruals associated with the elimination of certain deferred compensation programs of $3.4 million were recorded within current *Accrued salaries and benefits* in the Consolidated Balance Sheets as of December 31, 2022.

14. Income Taxes

The Company reported income before taxes of $16.9 million and an income tax provision of $7.9 million for the three months ended June 30, 2023. The Company reported income before taxes of $34.9 million and an income tax provision of $10.8 million for the three months ended June 30, 2022. The effective tax rates for the three months ended June 30, 2023 and 2022, were 46.8% and 30.9%, respectively. The effective tax rate for the three months ended June 30, 2023 was impacted by the tax effect on goodwill impairment and the inability to recognize losses. The effective tax rate for the three months ended June 30, 2022 was impacted by one-time items and the mix of income.

The Company reported income before taxes of $39.7 million and an income tax provision of $15.1 million for the six months ended June 30, 2023. The Company reported income before taxes of $62.8 million and an income tax provision of $20.2 million for the six months ended June 30, 2022. The effective tax rates for the six months ended June 30, 2023 and 2022, were 38.1% and 32.2%, respectively. The effective tax rate for the six months ended June 30, 2023 was impacted by the tax effect on goodwill impairment and the inability to recognize losses. The effective tax rate for the six months ended June 30, 2022 was impacted by one-time items and the mix of income.

15. Changes in Accumulated Other Comprehensive Income (Loss)

The changes in *Accumulated other comprehensive income (loss)* (“AOCI”) by component for the six months ended June 30, 2023 are as follows:

	Available-for-Sale Securities	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2022	$ (41)	$ (4,163)	$ 15	$ (4,189)
Other comprehensive income before reclassification, net of tax	54	314	—	368
Balance at June 30, 2023	$ 13	$ (3,849)	$ 15	$ (3,821)

16. Segment Information

The Company has five operating segments. The Executive Search business operates in the Americas, Europe (which includes Africa) and Asia Pacific (which includes the Middle East), and the Heidrick Consulting and On-Demand Talent businesses operate globally.

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

Revenue and operating income by segment are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Executive Search				
Americas	$ 138,563	$ 176,020	$ 265,890	$ 338,573
Europe	45,567	48,131	84,498	97,876
Asia Pacific	22,649	29,758	46,878	60,009
Total Executive Search	206,779	253,909	397,266	496,458
On-Demand Talent	39,240	22,353	70,357	45,734
Heidrick Consulting	25,206	22,439	42,919	40,370
Revenue before reimbursements (net revenue)	271,225	298,701	510,542	582,562
Reimbursements	2,552	2,408	5,354	4,084
Total revenue	$ 273,777	$ 301,109	$ 515,896	$ 586,646

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating income (loss)				
Executive Search				
Americas	$ 43,144	$ 44,250	$ 81,843	$ 84,101
Europe	2,432	4,606	4,144	10,009
Asia Pacific	1,364	3,912	4,646	8,966
Total Executive Search	46,940	52,768	90,633	103,076
On-Demand Talent	(2,862)	(349)	(7,226)	(931)
Heidrick Consulting (1)	(10,686)	(408)	(13,802)	(2,492)
Total segment operating income	33,392	52,011	69,605	99,653
Research and Development	(5,658)	(4,545)	(11,186)	(8,947)
Global Operations Support	(14,149)	(13,600)	(27,063)	(26,608)
Total operating income	$ 13,585	$ 33,866	$ 31,356	$ 64,098

(1) Includes $7.2 million of impairment charges for the three and six months ended June 30, 2023.

17. Guarantees

The Company has utilized letters of credit to support certain obligations, primarily for its office lease agreements. The letters of credit were made to secure the respective agreements and are for the terms of the agreements, which extend through 2033. For each letter of credit issued, the Company would have to use cash to fulfill the obligation if there is a default on a payment. The maximum amount of undiscounted payments the Company would be required to make in the event of default on all outstanding letters of credit is approximately $4.4 million as of June 30, 2023. The Company has not accrued for these arrangements as no event of default exists or is expected to exist.

18. Commitments and Contingencies

Litigation

The Company has contingent liabilities from various pending claims and litigation matters arising in the ordinary course of the Company's business, some of which involve claims for damages that are substantial in amount. Some of these matters are covered in part 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 2. 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 quarterly report on Form 10-Q contain forward-looking statements within the meaning of the federal securities laws. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements are not historical facts or guarantees of future performance, 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. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "outlook," "projects," "forecasts," and similar expressions. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

Factors that may cause actual outcomes and results to differ materially from what is expressed, forecasted or implied in the forward-looking statements include, among other things, our ability to attract, integrate, develop, manage and retain qualified consultants and senior leaders; our ability to prevent our consultants from taking our clients with them to another firm; our ability to maintain our professional reputation and brand name; our clients' ability to restrict us from recruiting their employees; our heavy reliance on information management systems; risks arising from our implementation of new technology and intellectual property to deliver new products and services to our clients; our dependence on third parties for the execution of certain critical functions; the fact that we face the risk of liability in the services we perform; the fact that data security, data privacy and data protection laws and other evolving regulations and cross-border data transfer restrictions may limit the use of our services and adversely affect our business; any challenges to the classification of our on-demand talent as independent contractors; the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data; the impacts, direct and indirect, of the COVID-19 pandemic (including the emergence of variant strains) or other highly infectious or contagious disease on our business, our consultants and employees, and the overall economy; the aggressive competition we face; the fact that our net revenue may be affected by adverse economic conditions including inflation, the impact of foreign currency exchange rate fluctuations; our ability to access additional credit; social, political, regulatory, legal and economic risks in markets where we operate, including the impact of the ongoing war in Ukraine and the risks of an expansion or escalation of that conflict; unfavorable tax law changes and tax authority rulings; the timing of the establishment or reversal of valuation allowance on deferred tax assets; the fact that we may not be able to align our cost structure with net revenue; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; and the fact that we have anti-takeover provisions that could make an acquisition of us difficult and expensive. We caution the reader that the list of factors may not be exhaustive. For more information on the factors that could affect the outcome of forward-looking statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2022, under the heading "Risk Factors" in Item 1A, and any subsequent Company filings with the Securities and Exchange Commission ("SEC"). We caution the reader that the list of factors may not be exhaustive. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

Our Business. Heidrick & Struggles International, Inc. (the "Company," "we," "us," or "our") is a human capital leadership advisory firm providing executive search, consulting and on-demand talent services to businesses and business leaders worldwide to help them to improve the effectiveness of their leadership teams. We provide our services to a broad range of clients through the expertise of over 500 consultants located in major cities around the world. The Company and its predecessors have been leadership advisors for more than 65 years.

Our service offerings include the following:

Executive Search. We partner with our clients, respected organizations across the globe, to help them build and sustain the best leadership teams in the world, with a specialized focus on the placement of top-level senior executives. Through our unique relationship-based, data-driven approach, we help our clients find the right leaders, set them up for success, and accelerate their and their team's performance.

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.

We employ a global approach to executive search built on better insights, more data and faster decision making facilitated by the use of our Heidrick Leadership Framework and Heidrick Connect. Our Heidrick Leadership 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 Heidrick Leadership 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 Heidrick Leadership Framework and other internally developed assessment tools. In response to working remotely, our Executive Search teams employed Heidrick Connect to operate effectively and efficiently while engaging virtually with our clients. Additionally, we have introduced upgrades to Heidrick Connect, resulting in greater flexibility, increased productivity and the ability to deliver more insights to our clients.

The executive search industry consists 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.

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

Heidrick Consulting. As a complement and extension of our search services, we partner with organizations through Heidrick Consulting to provide advisory services related to leadership assessment and development, organization and team effectiveness, and culture shaping. Our tools and experts use data and technology to bring science to the art of human capital development and organizational design. Our services allow our clients to accelerate their strategies and the effectiveness of individual leaders, teams and organizations as a whole.

Heidrick Consulting offers our clients impactful approaches to human capital development through a myriad of solutions, ranging from leadership assessment and development, team and organization acceleration, digital acceleration and innovation, diversity and inclusion advisory services, and culture shaping. Applying our deep understanding of the behaviors and attributes of leaders across many of the world's premier companies, we guide our clients as they build a thriving culture of future-ready leadership. These premium services and offerings, which complement our Executive Search expertise, significantly contribute to our ability to deliver a full-service human capital consulting solution to our clients.

We continue to focus on increasing the scale and impact of our Heidrick Consulting business and expect to improve the operating margins of this important business as we do so. Our consulting services generate revenue primarily through the professional fees generated for each engagement which are generally based on the size of the project and scope of services. Our Heidrick Consulting teams have pivoted to create new digital solutions for Leadership Assessments, Team Acceleration, and Organization and Culture Acceleration that can be delivered virtually in response to the hybrid work arrangements utilized by our clients around the world.

We also remain focused on the diversification of our revenue streams beyond our executive search business. In addition to organic expansion efforts, on February 1, 2023, we acquired Atreus, a leading provider of executive interim management in Germany, allowing us to establish and grow our on-demand talent presence in continental Europe. On April 1, 2023, we acquired businessfourzero, a next generation consultancy specializing in developing and implementing purpose-driven change, which complements our existing culture shaping practice to offer a broader, more robust set of leadership advisory solutions.

Key Performance Indicators

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

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

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

Our Compensation Model

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

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

Historically, a portion of the Company’s consultant and management cash bonuses were deferred and paid over a three-year vesting period. The portion of the bonus was approximately 15% depending on the employee’s level or position. The compensation expense related to the amounts being deferred was recognized on a graded vesting attribution method over the requisite service period. This service period began on January 1 of the respective fiscal year and continued through the deferral date, which coincided with the Company’s bonus payments in the first half 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.

In 2020, the Company terminated the cash bonus deferral for consultants and, in 2021, terminated the cash bonus deferral for management. The Company now pays 100% of the cash bonuses earned by consultants and management in the first half of the following year. Consultant and management cash bonuses earned prior to 2020 and 2021, respectively, will continue to be paid under the terms of the cash bonus deferral program. The deferrals are recorded in *Accrued salaries and benefits* within both Current liabilities and Non-current liabilities in the Consolidated Balance Sheets. The final cash bonus deferrals were paid during the six months ended June 30, 2023.

Third Quarter 2023 Outlook

The Company expects 2023 third quarter consolidated net revenue of between $245 million and $265 million, which reflects typical summer seasonality, while acknowledging that continued fluidity in external factors, such as foreign exchange and interest rate environments, foreign conflicts, inflation and macroeconomic constraints on pricing actions may impact quarterly results. In addition, this outlook is based on the average currency rates in June 2023 and reflects, among other factors, management's assumptions for the anticipated volume of new Executive Search confirmations, On-Demand Talent projects, and Heidrick Consulting assignments, consultant productivity, consultant retention, and the seasonality of the business, along with the current backlog.

The Company's 2023 third quarter guidance is subject to a number of risks and uncertainties, including those discussed under Item 1A - Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022, as updated in our subsequent quarterly reports on Form 10-Q and in our other filings with the SEC. As such, actual results could vary from these projections.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Revenue before reimbursements (net revenue)	100.0 %	100.0 %	100.0 %	100.0 %
Reimbursements	0.9	0.8	1.0	0.7
Total revenue	100.9	100.8	101.0	100.7
Operating expenses				
Salaries and benefits	66.0	69.5	66.2	70.2
General and administrative expenses	14.9	11.8	14.7	11.2
Cost of services	9.3	5.8	9.4	6.1
Research and development	2.1	1.5	2.2	1.5
Impairment charges	2.7	—	1.4	—
Reimbursed expenses	0.9	0.8	1.0	0.7
Total operating expenses	95.9	89.5	94.9	89.7
Operating income	5.0	11.3	6.1	11.0
Non-operating income (expense)				
Interest, net	0.7	0.1	1.0	0.1
Other, net	0.5	0.3	0.6	(0.3)
Net non-operating income (expense)	1.2	0.4	1.6	(0.2)
Income before income taxes	6.2	11.7	7.8	10.8
Provision for income taxes	2.9	3.6	3.0	3.5
Net income	3.3 %	8.1 %	4.8 %	7.3 %

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Executive Search				
Americas	$ 138,563	$ 176,020	$ 265,890	$ 338,573
Europe	45,567	48,131	84,498	97,876
Asia Pacific	22,649	29,758	46,878	60,009
Total Executive Search	206,779	253,909	397,266	496,458
On-Demand Talent	39,240	22,353	70,357	45,734
Heidrick Consulting	25,206	22,439	42,919	40,370
Revenue before reimbursements (net revenue)	271,225	298,701	510,542	582,562
Reimbursements	2,552	2,408	5,354	4,084
Total revenue	$ 273,777	$ 301,109	$ 515,896	$ 586,646

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating income (loss)				
Executive Search				
Americas	$ 43,144	$ 44,250	$ 81,843	$ 84,101
Europe	2,432	4,606	4,144	10,009
Asia Pacific	1,364	3,912	4,646	8,966
Total Executive Search	46,940	52,768	90,633	103,076
On-Demand Talent	(2,862)	(349)	(7,226)	(931)
Heidrick Consulting (1)	(10,686)	(408)	(13,802)	(2,492)
Total segment operating income	33,392	52,011	69,605	99,653
Research and Development	(5,658)	(4,545)	(11,186)	(8,947)
Global Operations Support	(14,149)	(13,600)	(27,063)	(26,608)
Total operating income	$ 13,585	$ 33,866	$ 31,356	$ 64,098

(1) Includes $7.2 million of impairment charges for the three and six months ended June 30, 2023.

Three Months Ended June 30, 2023 Compared to the Three Months Ended June 30, 2022

Total revenue. Consolidated total revenue decreased $27.3 million, or 9.1%, to $273.8 million for the three months ended June 30, 2023, from $301.1 million for the three months ended June 30, 2022. 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 $27.5 million, or 9.2%, to $271.2 million for the three months ended June 30, 2023, from $298.7 million for the three months ended June 30, 2022. Foreign exchange rate fluctuations negatively impacted results by $0.6 million, or 0.2%. Executive Search net revenue was $206.8 million for the three months ended June 30, 2023, a decrease of $47.1 million, or 18.6%, compared to the three months ended June 30, 2022. The decrease in Executive Search net revenue was primarily due to a decrease in the volume of executive search confirmations. On-Demand Talent net revenue was $39.2 million for the three months ended June 30, 2023, an increase of $16.9 million, or 75.5%, compared to the three months ended June 30, 2022. The increase in On-Demand Talent revenue was primarily due to the acquisition of Atreus Group GmbH ("Atreus") in February 2023, partially offset by a decrease in the volume of legacy on-demand projects. Heidrick Consulting net revenue was $25.2 million for the three months ended June 30, 2023, an increase of $2.8 million, or 12.3%, compared to the three months ended June 30, 2022. The increase in Heidrick Consulting revenue was primarily due to the acquisition of businessfourzero in April 2023, partially offset by a decrease in leadership assessment and development consulting engagements compared to the prior year.

The number of Executive Search and Heidrick Consulting consultants was 423 and 89, respectively, as of June 30, 2023, compared to 388 and 66, respectively, as of June 30, 2022. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $1.9 million and $2.6 million for the three months ended June 30, 2023 and 2022, respectively. The average revenue per executive search was $143,000 and $153,000 for the three months ended June 30, 2023 and 2022, respectively.

Salaries and benefits. Consolidated salaries and benefits expense decreased $28.8 million, or 13.9%, to $178.9 million for the three months ended June 30, 2023, from $207.7 million for the three months ended June 30, 2022. Fixed compensation increased $18.8 million due to base salaries and payroll taxes, the deferred compensation plan, separation, and retirement and benefits, partially offset by a decrease in stock compensation. The increase in base salaries and payroll taxes was primarily due to the acquisitions of Atreus and businessfourzero. Variable compensation decreased $47.6 million due to lower bonus accruals related to decreased consultant productivity. Foreign exchange rate fluctuations positively impacted results by $0.3 million, or 0.2%.

For the three months ended June 30, 2023, we had an average of 2,246 employees compared to an average of 1,978 employees for the three months ended June 30, 2022.

As a percentage of net revenue, salaries and benefits expense was 66.0% for the three months ended June 30, 2023, compared to 69.5% for the three months ended June 30, 2022.

General and administrative expenses. Consolidated general and administrative expenses increased $5.3 million, or 15.1%, to $40.5 million for the three months ended June 30, 2023, from $35.2 million for the three months ended June 30, 2022. The increase in general and administrative expenses was due to intangible amortization, office occupancy, information technology, taxes and licenses, and the acquisition of Atreus and businessfourzero, partially offset by a decrease in business development travel. Foreign exchange rate fluctuations positively impacted results by less than $0.1 million, or 0.1%.

As a percentage of net revenue, general and administrative expenses were 14.9% for the three months ended June 30, 2023, compared to 11.8% for the three months ended June 30, 2022.

Cost of services. Consolidated cost of services increased $7.9 million, or 45.4%, to $25.3 million for the three months ended June 30, 2023, from $17.4 million for the three months ended June 30, 2022. The increase in cost of services was primarily due to the acquisitions of Atreus and businessfourzero. Foreign exchange rate fluctuations negatively impacted results by $0.2 million, or 1.2%.

As a percentage of net revenue, cost of services was 9.3% for the three months ended June 30, 2023, compared to 5.8% for the three months ended June 30, 2022.

Research and development. Due to the rapid pace of technological advances and digital disruption many of our clients are experiencing, we believe our ability to compete successfully depends increasingly upon our ability to provide clients with timely and relevant technology-enabled products and services. As such, we are focused on developing new technologies to enhance existing products and services, and to expand the range of our offerings through research and development (“R&D”), licensing of intellectual property and acquisition of third-party businesses and technology. The results of our R&D efforts will be utilized to develop and enhance new and existing services and products across our current offerings in Executive Search, Heidrick Consulting and On-Demand Talent, and for products and services in new segments that we may embark upon in the future from time to time, such as our new digital product Heidrick Navigator which we are beta testing. Consolidated R&D expense increased $1.1 million, or 24.5%, to $5.7 million for the three months ended June 30, 2023, from $4.5 million for the three months ended June 30, 2022. R&D expense consists of payroll, employee benefits, stock-based compensation other employee expenses and third-party professional fees associated with new product development.

Impairment charges. On October 31, 2022, the Company conducted its annual goodwill impairment evaluation, which indicated that the carrying value of the Heidrick Consulting reporting unit was less than its fair value. During the three months ended June 30, 2023, the Company acquired businessfourzero and recorded approximately $7.1 million of goodwill in the Heidrick Consulting reporting unit. Due to the inclusion of goodwill in a reporting unit with a pre-existing fair value shortfall, the Company evaluated the recent and anticipated future financial performance of the Heidrick Consulting reporting unit and determined that it was more likely than not that the fair value of the reporting unit was less than its carrying value. As a result, the Company identified a triggering event and performed an interim goodwill impairment evaluation during the three months ended June 30, 2023. Based on the results of the of the impairment evaluation, the Company recorded an impairment charge of $7.2 million in Heidrick Consulting to write-off all of the goodwill associated with that reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statement of Comprehensive Income for the three months ended June 30, 2023, and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30,

2023. 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.

Operating income. Consolidated operating income was $13.6 million for the three months ended June 30, 2023, including impairment charges of $7.2 million, compared to $33.9 million for the three months ended June 30, 2022. Foreign exchange rate fluctuations negatively impacted operating income by $0.4 million, or 1.2%.

Net non-operating income. Net non-operating income was $3.3 million for the three months ended June 30, 2023, compared to $1.1 million for the three months ended June 30, 2022.

Interest, net, was $1.9 million of income for the three months ended June 30, 2023, compared to $0.3 million for the three months ended June 30, 2022, primarily due to higher interest rates on a higher volume of short-term investments.

Other, net, was $1.4 million of income for the three months ended June 30, 2023, compared to $0.8 million for the three months ended June 30, 2022. The income in the current year is primarily due to unrealized gains on the deferred compensation plan compared to unrealized losses in the prior period. The Company's investments, including those held in the Company’s deferred compensation plan, are recorded at fair value.

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

Executive Search

Americas

The Americas reported net revenue of $138.6 million for the three months ended June 30, 2023, a decrease of 21.3% from $176.0 million for the three months ended June 30, 2022. The decrease in net revenue was primarily due to a 14.8% decrease in the number of executive search engagements. The Social Impact and Industrial practice groups exhibited growth in net revenue over the prior year period. Foreign exchange rate fluctuations negatively impacted results by $0.2 million, or 0.1%. There were 219 Executive Search consultants in the Americas segment at June 30, 2023, compared to 203 at June 30, 2022.

Salaries and benefits expense decreased $36.1 million, or 30.2%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Fixed compensation increased $3.7 million due to the deferred compensation plan and stock compensation, partially offset by decreases in base salaries and payroll taxes, and talent acquisition and retention costs. Variable compensation decreased $39.8 million due to lower bonus accruals related to decreased consultant productivity.

General and administrative expenses decreased $0.2 million, or 1.8%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to business development travel and communication services, partially offset by increases in office occupancy, information technology, and resource library.

The Americas reported operating income of $43.1 million for the three months ended June 30, 2023, a decrease of $1.1 million, or 2.5%, compared to $44.3 million for the three months ended June 30, 2022.

Europe

Europe reported net revenue of $45.6 million for the three months ended June 30, 2023, a decrease of 5.3% from $48.1 million for the three months ended June 30, 2022. The decrease in net revenue was primarily due to a 11.6% decrease in the number of executive search confirmations. The Consumer, Social Impact, and Industrial practice groups exhibited growth in net revenue over the prior year period. Foreign exchange rate fluctuations positively impacted results by $0.4 million, or 0.8%. There were 129 Executive Search consultants in the Europe segment at June 30, 2023, compared to 111 at June 30, 2022.

Salaries and benefits expense increased less than $0.1 million for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Fixed compensation increased $6.2 million due to base salaries and payroll taxes, separation, talent acquisition and retention costs, and retirement and benefits. Variable compensation decreased $6.2 million due to lower bonus accruals related to decreased consultant productivity.

General and administrative expense decreased $0.4 million, or 5.2%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to professional fees, business development travel, and hiring fees, partially offset by increases in bad debt and the use of external third-party services.

Europe reported operating income of $2.4 million for the three months ended June 30, 2023, a decrease of $2.2 million, or 47.2%, compared to $4.6 million for the three months ended June 30, 2022.

Asia Pacific

Asia Pacific reported net revenue of $22.6 million for the three months ended June 30, 2023, a decrease of 23.9% compared to $29.8 million for the three months ended June 30, 2022. The decrease in net revenue was primarily due to a 8.2% decrease in the number of executive search confirmations. The decrease in net revenue spanned all practice groups over the prior year period. Foreign exchange rate fluctuations negatively impacted results by $1.0 million, or 3.4%. There were 75 Executive Search consultants in the Asia Pacific segment at June 30, 2023, compared to 74 at June 30, 2022.

Salaries and benefits expense decreased $4.2 million, or 19.8%, for the three months ended June 30, 2023, compared to the three months June 30, 2022. Fixed compensation increased $1.3 million due to base salaries and payroll taxes, talent acquisition and retention costs, stock compensation, retirement and benefits, and separation. Variable compensation decreased $5.5 million due to lower bonus accruals related to decreased consultant productivity.

General and administrative expenses decreased $0.3 million, or 7.3%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to business development travel, taxes and licenses, and office occupancy, partially offset by increases in professional fees, marketing, and other operating expense.

Asia Pacific reported operating income of $1.4 million for the three months ended June 30, 2023, a decrease of $2.5 million, or 65.1%, compared to $3.9 million for the three months ended June 30, 2022.

On-Demand Talent

On-Demand Talent reported net revenue of $39.2 million for the three months ended June 30, 2023, an increase of 75.5% compared to $22.4 million for the three months ended June 30, 2022. The increase in On-Demand Talent revenue was primarily due the acquisition of Atreus, partially offset by a decrease in the volume of legacy on-demand projects. Foreign exchange rate fluctuations positively impacted results by $0.4 million, or 1.7%.

Salaries and benefits expense increased $7.5 million, or 143.5%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Fixed compensation increased $5.0 million due to base salaries and payroll taxes, including the acquisition of Atreus, separation, and retirement and benefits. Variable compensation increased $2.5 million due to higher bonus accruals related to increased performance.

General and administrative expense increased $3.4 million, or 155.9%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to intangible amortization, including the acquisition of Atreus, business development travel, professional fees, and office occupancy.

Cost of services increased $8.4 million, or 55.3%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, primarily due to the acquisition of Atreus.

On-Demand Talent reported an operating loss of $2.9 million for the three months ended June 30, 2023, a decrease of $2.5 million compared to an operating loss of $0.3 million for the three months ended June 30, 2022.

Heidrick Consulting

Heidrick Consulting reported net revenue of $25.2 million for the three months ended June 30, 2023, an increase of 12.3% compared to $22.4 million for the three months ended June 30, 2022. The increase in net revenue was primarily due to the acquisition of businessfourzero. Foreign exchange rate fluctuations negatively impacted results by $0.1 million, or 0.5%. There were 89 Heidrick Consulting consultants at June 30, 2023 compared to 66 at June 30, 2022.

Salaries and benefits expense increased $4.6 million, or 27.4%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Fixed compensation increased $3.4 million due to base salaries and payroll taxes, including the acquisition of businessfourzero, retirement and benefits, and the deferred compensation plan. Variable compensation increased $1.2 million due to higher bonus accruals related to increased performance.

General and administrative expenses increased $1.7 million, or 45.4%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to office occupancy, intangible amortization, including the acquisition of businessfourzero, professional fees, resource library, and information technology.

Cost of services decreased $0.5 million, or 25.2%, for the three months ended June 30, 2023, compared to the three months ended June 30, 2022, due to a decrease in the volume of consulting projects, partially offset by the acquisition of businessfourzero.

Impairment charges for the three months ended June 30, 2023 were $7.2 million as a result of an interim impairment evaluation on the goodwill of the Heidrick Consulting reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income for the three months ended June 30, 2023, and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023.

Heidrick Consulting reported an operating loss of $10.7 million, including impairment charges of $7.2 million, for the three months ended June 30, 2023, a decrease of $10.3 million compared to an operating loss of $0.4 million for the three months ended June 30, 2022.

Global Operations Support

Global Operations Support expenses for the three months ended June 30, 2023, increased $0.5 million, or 4.0%, to $14.1 million from $13.6 million for the three months ended June 30, 2022.

Salaries and benefits expense decreased $0.6 million, or 6.8%, for the three months ended June 30, 2023, due to stock compensation, partially offset by increases in base salaries and payroll taxes, variable compensation, and retirement and benefits.

General and administrative expenses increased $1.1 million, or 23.3%, for the three months ended June 30, 2023, due to taxes and licenses, information technology, office occupancy, and business development travel, partially offset by decreases in professional fees and hiring fees.

Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022

Total revenue. Consolidated total revenue decreased $70.8 million, or 12.1%, to $515.9 million for the six months ended June 30, 2023, from $586.6 million for the six months ended June 30, 2022. 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 $72.0 million, or 12.4%, to $510.5 million for the six months ended June 30, 2023, from $582.6 million for the six months ended June 30, 2022. Foreign exchange rate fluctuations negatively impacted results by $6.1 million, or 1.0%. Executive Search net revenue was $397.3 million for the six months ended June 30, 2023, a decrease of $99.2 million, or 20.0%, compared to the six months ended June 30, 2022. The decrease in Executive Search net revenue was primarily due to a decrease in the volume of executive search confirmations. On-Demand Talent net revenue was $70.4 million for the six months ended June 30, 2023, an increase of $24.6 million, or 53.8%, compared to the six months ended June 30, 2022. The increase in On-Demand Talent revenue was primarily due to the acquisition of Atreus, as well as an increase in the volume of legacy on-demand projects. Heidrick Consulting net revenue was $42.9 million for the six months ended June 30, 2023, an increase of $2.5 million, or 6.3%, compared to the six months ended June 30, 2022. The increase in Heidrick Consulting revenue was primarily due to the acquisition of businessfourzero, partially offset by a decrease in leadership assessment and development consulting engagements compared to the prior year period.

The number of Executive Search and Heidrick Consulting consultants was 423 and 89, respectively, as of June 30, 2023, compared to 388 and 66, respectively, as of June 30, 2022. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $1.9 million and $2.6 million for the six months ended June 30, 2023 and 2022, respectively. The average revenue per executive search was $133,000 and $137,000 for the six months ended June 30, 2023 and 2022, respectively.

Salaries and benefits. Consolidated salaries and benefits expense decreased $71.4 million, or 17.4%, to $337.8 million for the six months ended June 30, 2023, from $409.1 million for the six months ended June 30, 2022. Fixed compensation increased $31.9 million due to base salaries and payroll taxes, the deferred compensation plan, retirement and benefits, and separation costs, partially offset by decreases in stock compensation and talent acquisition and retention costs. The increase in base salaries and payroll taxes was primarily due to the acquisitions of Atreus and businessfourzero. Variable compensation decreased $103.3 million due to lower bonus accruals related to decreased consultant productivity. Foreign exchange rate fluctuations positively impacted results by $4.0 million, or 1.0%.

For the six months ended June 30, 2023, we had an average of 2,199 employees compared to an average of 1,937 employees for the six months ended June 30, 2022.

As a percentage of net revenue, salaries and benefits expense was 66.2% for the six months ended June 30, 2023, compared to 70.2% for the six months ended June 30, 2022.

General and administrative expenses. Consolidated general and administrative expenses increased $9.8 million, or 15.1%, to $74.8 million for the six months ended June 30, 2023, from $65.0 million for the six months ended June 30, 2022. The increase in general and administrative expenses was due to intangible amortization, earnout accretion, office occupancy, information technology, taxes and licenses, and the acquisition of Atreus and businessfourzero, partially offset by a decrease in hiring fees. Foreign exchange rate fluctuations positively impacted results by $0.7 million, or 1.0%.

As a percentage of net revenue, general and administrative expenses were 14.7% for the six months ended June 30, 2023, compared to 11.2% for the six months ended June 30, 2022.

Cost of services. Consolidated cost of services increased $12.7 million, or 36.0%, to $48.1 million for the six months ended June 30, 2023, from $35.4 million for the six months ended June 30, 2022. The increase in cost of services was primarily due to the acquisitions of Atreus and businessfourzero. Foreign exchange rate fluctuations positively impacted results by $0.2 million, or 0.6%.

As a percentage of net revenue, cost of services was 9.4% for the six months ended June 30, 2023, compared to 6.1% for the six months ended June 30, 2022.

Research and development. Consolidated R&D expense increased $2.2 million, or 25.0%, to $11.2 million for the six months ended June 30, 2023, from $8.9 million for the six months ended June 30, 2022. R&D expense consists of payroll, employee benefits, stock-based compensation other employee expenses and third-party professional fees associated with new product development.

Impairment charges. Based on the results of the of the impairment evaluation conducted during the six months ended June 30, 2023, the Company recorded an impairment charge of $7.2 million in Heidrick Consulting to write-off all of the goodwill associated with that reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statement of Comprehensive Income and the Condensed Consolidated statement of Cash Flows for the six months ended June 30, 2023. 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.

Operating income. Consolidated operating income was $31.4 million for the six months ended June 30, 2023, including impairment charges of $7.2 million, compared to $64.1 million for the six months ended June 30, 2022. Foreign exchange rate fluctuations negatively impacted operating income by $1.1 million, or 1.8%.

Net non-operating income (expense). Net non-operating income was $8.3 million for the six months ended June 30, 2023, compared to a loss of $1.3 million for the six months ended June 30, 2022.

Interest, net, was $5.2 million of income for the six months ended June 30, 2023, compared to $0.4 million for the six months ended June 30, 2022, primarily due to higher interest rates on a higher volume of short-term investments.

Other, net, was $3.2 million of income for the six months ended June 30, 2023, compared to $1.7 million of loss for the six months ended June 30, 2022. The income in the current year is primarily due to unrealized gains on the deferred compensation plan compared to unrealized losses in the prior period. The Company's investments, including those held in the Company's deferred compensation plan, are recorded at fair value.

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

Executive Search

Americas

The Americas reported net revenue of $265.9 million for the six months ended June 30, 2023, a decrease of 21.5% from $338.6 million for the six months ended June 30, 2022. The decrease in net revenue was primarily due to a 23.0% decrease in the number of executive search engagements. The Social Impact practice group exhibited growth over the prior year period. Foreign exchange rate fluctuations negatively impacted results by $0.5 million, or 0.1%. There were 219 Executive Search consultants in the Americas segment at June 30, 2023, compared to 203 at June 30, 2022.

Salaries and benefits expense decreased $71.3 million, or 30.7%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Fixed compensation increased $8.1 million due to the deferred compensation plan, stock compensation, and retirement and benefits, partially offset by decreases in talent acquisition and retention costs, and base salaries and payroll taxes. Variable compensation decreased $79.4 million due to lower bonus accruals related to decreased consultant productivity.

General and administrative expenses increased $0.9 million, or 4.0%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to office occupancy, bad debt, and information technology, partially offset by decreases in communication services, business development travel, and professional fees.

The Americas reported operating income of $81.8 million for the six months ended June 30, 2023, a decrease of $2.3 million, or 2.7%, compared to $84.1 million for the six months ended June 30, 2022.

Europe

Europe reported net revenue of $84.5 million for the six months ended June 30, 2023, a decrease of 13.7% from $97.9 million for the six months ended June 30, 2022. The decrease in net revenue was primarily due to a 12.6% decrease in the number of executive search confirmations. The Consumer, Social Impact, and Industrial practice groups exhibited growth over the prior year period. Foreign exchange rate fluctuations negatively impacted results by $2.3 million, or 2.3%. There were 129 Executive Search consultants in the Europe segment at June 30, 2023, compared to 111 at June 30, 2022.

Salaries and benefits expense decreased $7.7 million, or 10.4%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Fixed compensation increased $9.5 million due to base salaries and payroll taxes, talent acquisition and retention costs, retirement and benefits, and separation costs. Variable compensation decreased $17.2 million due to lower bonus accruals related to decreased consultant productivity.

General and administrative expense increased $0.2 million, or 1.5%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to office occupancy, the use of external third-party services, and taxes and licenses, partially offset by decreases in professional fees and hiring fees.

Europe reported operating income of $4.1 million for the six months ended June 30, 2023, a decrease of $5.9 million, or 58.6%, compared to $10.0 million for the six months ended June 30, 2022.

Asia Pacific

Asia Pacific reported net revenue of $46.9 million for the six months ended June 30, 2023, a decrease of 21.9% compared to $60.0 million for the six months ended June 30, 2022. The decrease in net revenue was primarily due to a 9.6% decrease in the number of executive search confirmations. The Industrial and Social Impact practice groups exhibited growth over the prior year period. Foreign exchange rate fluctuations negatively impacted results by $2.3 million, or 3.9%. There were 75 Executive Search consultants in the Asia Pacific segment at June 30, 2023, compared to 74 at June 30, 2022.

Salaries and benefits expense decreased $8.6 million, or 20.1%, for the six months ended June 30, 2023, compared to the six months June 30, 2022. Fixed compensation increased $2.1 million due to base salaries and payroll taxes, talent acquisition and retention costs, and stock compensation, partially offset by a decrease in retirement and benefits. Variable compensation decreased $10.7 million due to lower bonus accruals related to decreased consultant productivity.

General and administrative expenses decreased $0.2 million, or 2.6%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to business development travel, bad debt, and office occupancy, partially offset by increases in other operating expense and marketing.

Asia Pacific reported operating income of $4.6 million for the six months ended June 30, 2023, a decrease of $4.3 million, or 48.2%, compared to $9.0 million for the six months ended June 30, 2022.

On-Demand Talent

On-Demand Talent reported net revenue of $70.4 million for the six months ended June 30, 2023, an increase of 53.8% compared to $45.7 million for the six months ended June 30, 2022. The increase in On-Demand Talent revenue was primarily due the acquisition of Atreus as well as an increase in the volume of legacy on-demand projects. Foreign exchange rate fluctuations negatively impacted results by $0.2 million, or 0.5%.

Salaries and benefits expense increased $12.5 million, or 118.6%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Fixed compensation increased $8.5 million due to base salaries and payroll taxes, including the acquisition of Atreus, retirement and benefits, and separation costs. Variable compensation increased $4.0 million due to higher bonus accruals related to increased performance.

General and administrative expense increased $5.3 million, or 119.0%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to intangible amortization, including the acquisition of Atreus, professional fees, business development travel, office occupancy, marketing, and information technology.

Cost of services increased $13.1 million, or 41.5%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, primarily due to the acquisition of Atreus as well as an increase in the volume of legacy on-demand projects.

On-Demand Talent reported an operating loss of $7.2 million for the six months ended June 30, 2023, a decrease of $6.3 million compared to an operating loss of $0.9 million for the six months ended June 30, 2022.

Heidrick Consulting

Heidrick Consulting reported net revenue of $42.9 million for the six months ended June 30, 2023, an increase of 6.3% compared to $40.4 million for the six months ended June 30, 2022. The increase in net revenue was primarily due to the acquisition of businessfourzero. Foreign exchange rate fluctuations negatively impacted results by $0.8 million, or 2.0%. There were 89 Heidrick Consulting consultants at June 30, 2023 compared to 66 at June 30, 2022.

Salaries and benefits expense increased $4.9 million, or 15.4%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Fixed compensation increased $4.8 million due to base salaries and payroll taxes, including the acquisition of businessfourzero, retirement and benefits, and the deferred compensation plan. Variable compensation increased $0.1 million due to higher bonus accruals related to increased performance.

General and administrative expenses increased $2.1 million, or 29.2%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to office occupancy, intangible amortization, including the acquisition of businessfourzero, and information technology, partially offset by a decrease in professional fees.

Cost of services decreased $0.4 million, or 10.5%, for the six months ended June 30, 2023, compared to the six months ended June 30, 2022, due to the volume of consulting projects, partially offset by the acquisition of businessfourzero.

Impairment charges for the six months ended June 30, 2023 were $7.2 million as a result of an interim impairment evaluation on the goodwill of the Heidrick Consulting reporting unit. The impairment charge is recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023.

Heidrick Consulting reported an operating loss of $13.8 million, including impairment charges of $7.2 million, for the six months ended June 30, 2023, a decrease of $11.3 million compared to an operating loss of $2.5 million for the six months ended June 30, 2022.

Global Operations Support

Global Operations Support expenses for the six months ended June 30, 2023, increased $0.5 million, or 1.7%, to $27.1 million from $26.6 million for the six months ended June 30, 2022.

Salaries and benefits expense decreased $1.1 million, or 6.3%, for the six months ended June 30, 2023, due to stock compensation, partially offset by increases in base salaries and payroll taxes, retirement and benefits, talent acquisition and retention costs, and separation costs.

General and administrative expenses increased $1.6 million, or 17.2%, for the six months ended June 30, 2023, due to information technology, taxes and licenses, office occupancy, professional fees, and business development travel, partially offset by a decrease in hiring fees.

Liquidity and Capital Resources

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

We pay the non-deferred portion of annual bonuses in the first half of the year 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 February 24, 2023, the Company entered into the Second Amendment (the “Second Amendment”) to the Credit Agreement, dated as of October 26, 2018 (the “Credit Agreement” and, as amended by the First Amendment to Credit Agreement, dated as of July 13, 2021, and the Second Amendment, the "Amended Credit Agreement") by and among the Company, Bank of America, N.A., as administrative agent, and the lenders party thereto. The Second Amendment replaced the interest rate benchmark, from the London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (“SOFR”). At the Company's option, borrowings under the Amended Credit Agreement will bear interest at one-, three- or six-month Term SOFR, or an alternate base rate as set forth in the Amended Credit Agreement, in each case plus an applicable margin. Additionally, the Second Amendment provided the Company with a committed unsecured revolving credit facility in an aggregate amount of $200 million, increased from $175 million as set forth in the Credit Agreement, which includes a sublimit of $25 million for letters of credit and a sublimit of $10 million for swingline loans, with a $75 million expansion feature. Other than the foregoing, the material terms of the Amended Credit Agreement remain unchanged. The Amended Credit Agreement matures on July 13, 2026.

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

As of June 30, 2023, and December 31, 2022, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the Amended Credit Agreement and no event of default existed.

Cash, cash equivalents and marketable securities. Cash, cash equivalents and marketable securities at June 30, 2023, December 31, 2022, and June 30, 2022 were $239.0 million, $621.6 million and $336.6 million, respectively. The $239.0 million of cash, cash equivalents and marketable securities at June 30, 2023 includes $121.6 million held by our foreign subsidiaries. A portion of the $121.6 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the U.S., the repatriation of these funds could cause us to incur additional U.S. income taxes or foreign withholding taxes.

Cash flows used in operating activities. Cash used in operating activities was $290.1 million for the six months ended June 30, 2023, primarily reflecting a decrease in accrued expenses of $274.8 million and an increase in accounts receivable of $60.0 million, partially offset by net income net of non-cash charges of $49.8 million. The decrease in accrued expenses is primarily due to cash bonus payments related to 2022 and prior year cash bonus deferrals of $422.0 million, partially offset by 2023 bonus accruals.

Cash used in operating activities was $179.5 million for the six months ended June 30, 2022, primarily reflecting decreases in accrued expenses of $124.3 million and increases in accounts receivable of $84.8 million, partially offset by net income of $42.6 million. The decrease in accrued expenses is primarily due to cash bonus payments related to 2021 and prior year cash bonus deferrals of $383.1 million, partially offset by 2022 bonus accruals.

Cash flows provided by (used in) investing activities. Cash provided by investing activities was $197.9 million for the six months ended June 30, 2023, due to proceeds from sales of marketable securities and investments of $268.1 million, partially offset by payments for the acquisitions of Atreus and businessfourzero of $35.7 million, purchases of marketable securities and investments of $27.7 million, and capital expenditures of $6.8 million.

Cash used in investing activities was $8.6 million for the six months ended June 30, 2022, due to capital expenditures of $4.2 million related to office build-outs, and the purchase of marketable securities and investments of $5.4 million, partially offset by the proceeds from sales of marketable securities and investments of $1.0 million.

Cash flows used in financing activities. Cash used in financing activities was $47.2 million for the six months ended June 30, 2023, due to the Business Talent Group earnout payment of $35.9 million, dividend payments of $6.2 million, and employee tax withholding payments on equity transactions of $4.1 million.

Cash used in financing activities was $9.4 million for the six months ended June 30, 2022, due to dividend payments of $6.2 million and employee tax withholding payments on equity transactions of $3.2 million.

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. Our lease portfolio is comprised of operating leases for office space and equipment. As of June 30, 2023, we had aggregate future lease payment obligations of $81.5 million, with $21.2 million payable within 12 months. Associated with our lease portfolio, we have asset retirement obligations for the retirement of tangible long-lived assets related to our obligation at the end of the lease term to return office space to the landlord in its original condition. As of June 30, 2023, we had asset retirement obligations of $2.9 million, with $0.1 million payable within 12 months.

In addition to lease-related contractual obligations, we also have liabilities related to certain employee benefit plans. These liabilities are recorded in our Consolidated Balance Sheet at June 30, 2023. The obligations related to these employee benefit plans are described in Note 12, *Employee Benefit Plans*, and Note 13, *Pension Plan and Life Insurance Contract*, in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 27, 2023. As of June 30, 2023, we did not have a liability for uncertain tax positions.

Application of Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared using accounting principles generally accepted in the United States of America. Our significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on February 27, 2023, and in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements included in Item 1. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes its critical accounting policies that reflect its more significant estimates and assumptions relate to revenue recognition, income taxes, interim effective tax rate and assessment of goodwill and other intangible assets for impairment. See *Application of Critical Accounting Policies and Estimates* in Item 7, Management's

Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 27, 2023.

Recently Issued and Adopted Financial Accounting Standards

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency market risk. With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets and liabilities are denominated in currencies other than the U.S. dollar, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. As the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. A 10% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our net income by approximately $0.2 million for the six months ended June 30, 2023. For financial information by segment, see Note 16, *Segment Information*, in the Notes to Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rules 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in the Company’s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the 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 June 30, 2023. 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 June 30, 2023.

(b) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the three months ended June 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, under the heading "Risk Factors," any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price. There have been no material changes to the Company's risk factors from those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 27, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchase of Equity Securities

The following table summarizes common stock repurchased by the Company during the three months ended June 30, 2023:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly-Announced Program	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (1)
April 1, 2023 - April 30, 2023	—	$ —	—	$21.7 million
May 1, 2023 - May 31, 2023	36,000	25.11	36,000	$20.8 million
June 1, 2023 - June 30, 2023	—	$ —	—	$20.8 million
Total	36,000	$ 25.11	36,000	$20.8 million

(1) On February 11, 2008, the Company's Board of Directors authorized management to repurchase shares of the Company's common stock with an aggregate purchase price of up to $50 million. From time to time and as business conditions warrant, the Company may purchase shares of common stock on the open market or in negotiated or block trades. No time limit has been set for completion of this program. During the three months ended June 30, 2023, the Company purchased 36,000 shares of common stock for $0.9 million.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/Period End Date
*10.1	Form of Restricted Stock Unit Participation Agreement pursuant to the Fourth Amended and Restated Heidrick & Struggles 2012 GlobalShare Program **			
*10.2	Form of Performance Stock Unit Participation Agreement pursuant to the Fourth Amended and Restated Heidrick & Struggles 2012 GlobalShare Program **			
*10.3	Form of Non-Employee Director Restricted Stock Unit Participation Agreement pursuant to the Fourth Amended and Restated Heidrick & Struggles 2012 GlobalShare Program **			
*31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
†32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
†32.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data Files because its XBRL tags are embedded within the Inline XBRL document			
*101.SCH	Inline XBRL Taxonomy Extension Schema Document			
*101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document			
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.

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

† Furnished herewith.

SIGNATURE

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

Date: July 31, 2023

Heidrick & Struggles International, Inc.
(Registrant)

/s/ Stephen A. Bondi

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

Exhibit 10.1

Restricted Stock Unit Participation Agreement	**[NAME]** **[ADDRESS]**

This Restricted Stock Unit Participation Agreement (the “Agreement”) is dated as of June 22, 2023 and sets forth the terms and conditions of the Award described below made by Heidrick & Struggles International, Inc. (the “Company”) to **[NAME]** (the “Participant”), pursuant to the Fourth Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (the “Program” or the “Plan”).

As of June 22, 2023 (the “Grant Date”), the Company has granted [**XXX]** Restricted Stock Units (“RSUs”) to the Participant as set forth herein. The RSUs are granted pursuant to the Program and are governed by the terms and conditions of the Program. All defined terms used herein, unless specifically defined in this Agreement, have the meanings assigned to them in the Program. The Participant agrees to be bound by all terms and conditions of the Agreement and the Program, and has received and reviewed a copy of the Program and the Prospectus for the Program dated June 14, 2023.

The RSUs granted under this Agreement shall not become valid or enforceable unless and until the Participant executes the Agreement and it is accepted by the Company. By the Participant’s signature and the Company’s signature below, the Participant and the Company agree that this constitutes the signature page of the Agreement. Participant further agrees that the RSUs are granted under and governed by the terms and conditions of the Agreement and the Program. Agreements that are not signed and returned shall be invalid and unenforceable.

As a material condition and inducement to the Company’s grant of RSUs to the Participant, the Participant agrees that he or she has received and reviewed the Program and the Prospectus, and the Participant further agrees to be bound by all of the terms and conditions of the Agreement and the Program, as may be amended by the Company from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed the Agreement as of the date first set forth above.

____
Name: [**NAME]**

Heidrick & Struggles International, Inc.

By: ____
Name: Tracey Heaton
Title: Chief Legal Officer & Corporate Secretary

NOW, THEREFORE, in consideration of the agreements of the Participant herein provided and pursuant to the Program, the parties agree as follows:

1. Definitions. All capitalized terms used herein, unless specifically defined herein, shall have the same meanings as established in the Program.

2. Participation. Contingent upon the execution of the Agreement, the Company hereby grants to the Participant [**XXX]** RSUs subject to the terms and conditions herein.

3. Vesting of RSUs.

    a. Subject to Section 3(b) and Section 4 below, all RSUs granted under the Agreement shall vest in accordance with the schedule set forth below; provided the Participant has been in Continuous Service through each vesting date. Except as set forth in Section 3(b), upon the Participant's termination of Continuous Service prior to the vesting date, the terms of Section 10 shall apply. For purposes of the Agreement, "Continuous Service" shall mean the Participant's service with the Company or any Subsidiary or Affiliate as an employee has not been interrupted or terminated, and shall include any period during which the Participant is on an approved leave of absence from the Company or its Subsidiaries or Affiliates.

Vesting Date	***Number of Shares Vesting***
June 22, 2024	**[XX]**
June 22, 2025	**[XX]**
June 22, 2026	**[XX]**

    b. If the Participant's Continuous Service is terminated as a result of the Participant's death or Disability, all RSUs granted to the Participant under the Agreement will immediately vest.

4. Effect of Vesting.

    a. If, and at the time, the Participant's RSUs vest under the terms of Section 3 or Section 8, and subject to Section 7, such Participant shall receive as full consideration for the RSUs a number of Shares equal to the number of RSUs which vested on such date.

    b. The RSUs granted to the Participant shall be maintained in a bookkeeping account with the custodian appointed by the Human Resources & Compensation Committee (the "Committee") from time to time (the "Custodian") for such Participant if and until the RSUs are converted into Shares pursuant to this Section 4, at which time the Shares shall be issued to the Participant in accordance with Section 5 below.

5. Compensation Recovery. The Participant's RSUs are subject to the Clawback Policy adopted by the Board of Directors.

6. Delivery of Shares to the Participant. As soon as practicable after the RSUs vest and are converted into Shares, and subject to Section 8, the Custodian shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant by first-class insured mail addressed to the Participant at the address shown on page 1 or the last address of record on file with the Custodian, (i) a statement from the Custodian referencing the number of Shares held in the Participant's name in a book entry account,

or (ii) at the Participant's request, certificate(s) for the number of Shares as to which the Shares vested. In any event, Shares due to the Participant shall be delivered as described above no later than March 15 of the year following the calendar year in which such RSUs vest.

7. Dividend Equivalents. The Company shall credit the Participant's RSU account with an amount equal to the dividends, if any, that would be paid with respect to the unvested RSUs as if the RSUs were actual Shares to a shareholder as of the record date. Such amount shall be credited to the Participant's RSU account at the same time dividends are paid with respect to the Shares, shall be subject to the vesting and forfeiture provisions set forth in Sections 3, 4 and 10 of the Agreement, and shall be paid to the Participant in cash, on the first payroll date following when the Participant's related RSUs vest and are issued as Shares to the Participant or settled in cash, or as soon as practical thereafter.

8. Tax Withholdings and Payments.

    a. The Company or any Subsidiary or Affiliate is authorized to withhold from any payment to be made to the Participant under this Agreement with respect to the RSUs, amounts of income tax withholding and other taxes due in connection with compensation or any other transaction under the Program, including the receipt of Shares under Section 6. The Participant shall hold the Company and its Subsidiaries and Affiliates harmless for any damages caused by his or her failure to so comply and for any other damages caused by his or her actions or inactions.

    b. The Participant will pay withholding taxes attributable to the receipt of Shares in cash, by having Shares withheld by the Company from any Shares that would otherwise be received by the Participant under the Agreement (in which case, the number of Shares so withheld shall have an aggregate Fair Market Value at the time of such withholding sufficient to satisfy the applicable withholding taxes), or by any other method approved by the Committee. If the Participant does not satisfy the withholding obligation by cash payment within a reasonable time established by the Committee, the Participant's withholding obligation shall be satisfied by the Company's withholding of Shares from the vested RSUs.

    c. The Company shall deduct from the dividend equivalents paid to the Participant pursuant to Section 7 the Participant's withholding obligation arising from such payment.

9. Change in Control.

    The RSUs are subject to the Change of Control provisions as set forth in detail in the Plan.

10. Forfeiture of RSUs.

    a. Subject to the next following sentence, the Participant's unvested RSUs shall be forfeited to the Company upon the Participant's termination of Continuous Service for any reason other than (a) the Participant's death or Disability that occurs prior to the date the RSUs vest as provided in Section 3 above, (b) the Participant's termination of Continuous Service by the Company or any Subsidiary or Affiliate without Cause or the Participant's voluntary termination due to the existence of Good Reason, in either case during the two-year period beginning on the date of a Change in Control, as provided in Section 9 above; or (c) in the case of the Chief Executive Officer and/or Tier 1 Participants, in the situation of the Participant's termination of Continuous Service by the Company without Cause as outlined in the Program.

b. This Section 10 shall be subject to the Company’s Bonus, Restricted Stock Unit, Performance Stock Unit and Bonus Cash Deferral Retirement Policy (the “Retirement Policy”) and any subsequent amendments, as well as any other Company plan or written employment, severance or similar agreement that has been or may be executed by the Participant and the Company or its Subsidiary or Affiliate, and the provisions in such Retirement Policy or agreement concerning the vesting of RSUs in connection with the Participant’s termination of Continuous Service shall supersede any inconsistent or contrary provision in this Agreement.

c. The Participant agrees that the Company or its Subsidiary or Affiliate may deduct from any amounts the Company or its Subsidiary or Affiliate owes the Participant from time to time (such as wages or other compensation, deferred compensation credits, vacation pay, any severance or other payments owed following a termination of employment, as well as any other amounts owed to the Participant by the Company or its Subsidiary or Affiliate) to the extent of any amounts the Participant owes the Company or its Subsidiary or Affiliate under this Section 10. The provisions of this section and any amounts repayable by the Participant hereunder are intended to be in addition to any rights to repayment the Company or its Subsidiary or Affiliate may have under applicable law.

d. This Section 10 does not constitute the Company’s exclusive remedy for the Participant’s violation of any post-employment obligations owed to the Company, including but not limited to any obligations of confidentiality, or restrictive covenants that may exist in the Participant’s employment agreement.

e. Reasonableness. The Participant acknowledges that the Participant’s obligations under this Section 10 are reasonable in the context of the nature of the Company’s business, its strategic and cumulative investments in longstanding client relationships, and the competitive injuries likely to be sustained by the Company if the Participant were to violate such obligations. The Participant further acknowledges that this Agreement is made in consideration of, and is adequately supported by the agreement of the Company to perform its obligations under this Agreement and by other consideration, which the Participant acknowledges constitutes good, valuable and sufficient consideration.

11. Miscellaneous.

a. The Company or any Subsidiary or Affiliate shall have no obligation to continue the employment relationship or any other relationship as a result of an Award under the Program and/or the Agreement. The Participant acknowledges and agrees that: (i) the Program is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time; (ii) the grant of RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted repeatedly in the past; (iii) all decisions with respect to future RSU grants, if any, will be at the sole discretion of the Company; (iv) participation in the Program is voluntary; (v) the RSUs are not a part of normal or expected compensation or salary for any purposes; (vi) the future value of the underlying shares is unknown and cannot be predicted with certainty; and (vii) in consideration of the grant of RSUs, no claim or entitlement to compensation or damages shall arise from termination of the RSUs or diminution in value of the RSUs or Shares received upon vesting.

b. The Company may amend, alter or discontinue the Agreement, without the consent of the Participant so long as such amendment, alteration or discontinuance would not impair any of the rights or obligations under any Award theretofore granted to the Participant under the Program. The Committee may amend the Agreement in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws.

c. The parties agree that the Agreement shall be governed by and interpreted and construed in accordance with the laws of the United States and, in particular, those of the State of Illinois without regard to its conflict of law principles, as Illinois is the situs of the principal corporate office of the Company. Furthermore, to the extent not prohibited under applicable law, and unless the Company affirmatively elects in writing to allow the proceeding to be brought (or itself brings such a proceeding) in a different venue, the parties agree that any suit, action or proceeding with respect to the Program, the RSUs or the Agreement shall be brought in the state courts in Chicago, Illinois or in the U.S. District Court for the Northern District of Illinois. The parties hereby accept the exclusive jurisdiction of those courts for the purpose of any such suit, action or proceeding. Venue for any such action, in addition to any other venue required or otherwise mandated by statute, will be in Chicago, Illinois. Each party further agrees to waive any applicable right to a jury trial, and expressly elects to have the matter heard as a bench trial.

d. Unless waived by the Company, any notice to the Company required under or relating to the Agreement shall be in writing and addressed to:

Chief Legal Officer & Corporate Secretary
Heidrick & Struggles International, Inc.
233 South Wacker Drive
Suite 4900
Chicago, IL 60606-6303

12. Program Governs. All terms and conditions of the Program are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Program and the Agreement, the terms and conditions of the Program, as interpreted by the Committee, shall govern.

13. Data Privacy. By signing above, the Participant voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 13. The Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, the Participant's failure to provide the consent may affect the Participant's ability to participate in the Program. The Company and its Subsidiaries and Affiliates hold certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, employee identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other rights or entitlements to shares of stock in the Participant's favor, for the purpose of managing and administering the Program ("Data"). The Company, its Subsidiaries and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Participant's participation in the Program, and the Company and any of its Subsidiaries or Affiliates may each further transfer Data to any third parties assisting in the implementation, administration and management of the Program. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in

the Program, including any requisite transfer of such Data as may be required for the administration of the Program and/or the subsequent holding of Shares on the Participant's behalf to a broker or other third party with whom the Participant may elect to deposit any Shares acquired pursuant to the Program. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, by withdrawing consent, the Participant will affect his or her ability to participate in the Program.

14. Execution of the Agreement.

a. The Parties agree that this Agreement shall be considered executed by both parties executing the Agreement on the first page hereof, which is a part hereof.

b. This Agreement, or any amendments thereto, may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

Performance Stock Unit Participation Agreement	**[NAME]** **[ADDRESS]**

This Performance Stock Unit Participation Agreement (the “Agreement”) is dated as of June 22, 2023 and sets forth the terms and conditions of the Award described below made by Heidrick & Struggles International, Inc. (the “Company”) to **[NAME]** (the “Participant”), pursuant to the Fourth Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (the “Program” or the “Plan”).

As of June 22, 2023 (the “Grant Date”), the Company has granted a target award of **[XXX]** Performance Stock Units (“PSUs”) to the Participant as set forth herein. The PSUs are granted pursuant to the Program and are governed by the terms and conditions of the Program. All defined terms used herein, unless specifically defined in this Agreement, have the meanings assigned to them in the Program. The Participant agrees to be bound by all terms and conditions of the Agreement and the Program, and has received and reviewed a copy of the Program and the Prospectus for the Program dated June 14, 2023.

The PSUs granted under this Agreement shall not become valid or enforceable unless and until the Participant executes the Agreement and it is accepted by the Company. By the Participant’s signature and the Company’s signature below, the Participant and the Company agree that this constitutes the signature page of the Agreement. Participant further agrees that the PSUs are granted under and governed by the terms and conditions of the Agreement and the Program. Agreements that are not signed and returned shall be invalid and unenforceable.

As a material condition and inducement to the Company’s grant of PSUs to the Participant, the Participant agrees that he or she has received and reviewed the Program and the Prospectus, and the Participant further agrees to be bound by all of the terms and conditions of the Agreement and the Program, as may be amended by the Company from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed the Agreement as of the date first set forth above.

____
Name: **[NAME]**

Heidrick & Struggles International, Inc.

By: ____
Name: Tracey Heaton
Title: Chief Legal Officer & Corporate Secretary

NOW, THEREFORE, in consideration of the agreements of the Participant herein provided and pursuant to the Program, the parties agree as follows:

1. Definitions. All capitalized terms used herein, unless specifically defined herein, shall have the same meanings as established in the Program.

2. Participation. Pursuant to the Program and contingent upon the execution of the Agreement, the Company hereby grants to the Participant a target award of **[XXX]** PSUs subject to the terms and conditions herein.

3. Vesting of PSUs.

(a) The number of **[XXX]** PSUs granted under the Agreement that shall vest on is subject to the following performance and employment conditions:

(i) 50% of the award will be based upon the attainment of Adjusted Operating Margin ("AOM") goals for the 3 year period from 2022 through 2024. The attainment will be in accordance with the schedule set forth below.

3-year Adjusted Operating Margin	***Percentage of Target PSUs Vesting***
Intentionally omitted due to competitive nature of information	200% (Maximum)
	100% (Target)
	50% (Threshold)
	0 %

For performance greater than 100% and less than 150% of target, or performance less than 100% and greater than 50% of target, the vesting percentage will be interpolated.

Except as set forth in Section 4 below, the portion of the target PSU Award that does not vest in accordance with the schedule set forth above shall be forfeited to the Company.

(ii) 50% of the award will be based upon the attainment of Total Shareholder Return (R-TSR) performance relative to the HR & Employment Services Industry. The attainment will be in accordance with the schedule set forth below.

3-year R-TSR	***Percentage of Target PSUs Vesting***
75th Percentile or greater	200% (Maximum)
50th Percentile	100% (Target)
25th Percentile	50% (Threshold)
Less than 25th Percentile	0 %

For performance greater than the 50th percentile and less than the 75th percentile or performance less than the 50th percentile and greater than the 25th percentile, the vesting percentage will be interpolated.

Except as set forth in Section 4 below, the portion of the target PSU Award that does not vest in accordance with the schedule set forth above shall be forfeited to the Company.

(iii) The Participant must remain in Continuous Service through the vesting date. For purposes of the Agreement, "Continuous Service" shall mean the Participant's service with the Company or any Subsidiary or Affiliate as an employee, or the Participant's service as a member of the Board of Directors of the Company, has not been interrupted or terminated, and shall include any period during which the Participant is on an approved leave of absence from the Company or its Subsidiaries or Affiliates. Except as set forth in Section 3(b), upon the Participant's termination of Continuous Service prior to the vesting date, the terms of Section 7 shall apply.

(b) Notwithstanding the terms of Section 3(a) above, if the Participant's Continuous Service is terminated as a result of the Participant's death or Disability, the target number of PSUs granted to the Participant under the Agreement will immediately vest.

(c) In the case of a Participant who is both an employee of the Company or any Subsidiary or Affiliate and a member of the Board of Directors of the Company, Continuous Service shall not end until the Participant's service as both an employee and a director terminates.

4. <u>Change in Control</u>. The PSUs are subject to the Change of Control provisions as set forth in detail in the Plan.

5. <u>Characteristics of PSUs</u>.

(a) PSUs are not Shares and the grant of a target number of PSUs shall provide only those rights expressly set forth in the Agreement and the Program. The Participant is not deemed to be a stockholder in the Company or have any of the rights of a stockholder in the Company by virtue of the grant of PSUs.

(b) The Participant does not have voting rights or any other rights inherent to the ownership of Shares, including the rights to dividends (other than as provided in Section 10), or other liquidating or non-liquidating distributions, by virtue of being granted PSUs.

(c) Neither the PSUs nor any right hereunder or under the Program shall be transferable or be subject to attachment, execution or other similar process. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate or otherwise dispose of the PSUs or of any right hereunder or under the Program, except as provided for in the Program, or in the event of any levy or any attachment, execution or similar process upon the rights or interest conferred by the PSUs, the Company may terminate the PSUs by notice to the Participant and the PSUs and any related rights, including the right to dividend equivalents as described in Section 10, shall thereupon be cancelled.

6. Effect of Vesting.

(a) If, and at the time, the Participant's PSUs vest under the terms of Section 3 or Section 4, such Participant shall receive as full consideration for the PSUs a number of Shares equal to the number of PSUs which vested on such date.

(b) The PSUs granted to the Participant shall be maintained in a bookkeeping account with the custodian appointed by the Committee from time to time (the "Custodian") for such Participant if and until the PSUs are converted into Shares pursuant to this Section 6, at which time the Shares shall be issued to the Participant in accordance with Section 9 below.

7. Forfeiture of PSUs. Subject to the next following sentence, the Participant's PSUs shall be forfeited to the Company upon the Participant's termination of Continuous Service with the Company and its Subsidiaries and Affiliates (a) for any reason other than the Participant's death or Disability that occurs prior to the date the PSUs vest as provided in Section 3 above or (b) for any reason other than the Participant's termination by the Company without Cause or the Participant's voluntary termination due to the existence of Good Reason, in either case during the two-year period beginning on the date of a Change in Control, as provided in Section 4 above. The foregoing provisions of this Section 7 shall be subject to the provisions of the Company's Bonus, Restricted Stock Unit, and Performance Stock Unit Retirement Policy (the "Retirement Policy"), and any other Company plan or written employment, severance or similar agreement that has been or may be executed by the Participant and the Company, and the provisions in such Retirement Policy or agreement concerning the vesting of the PSUs in connection with the Participant's termination of Continuous Service shall supersede any inconsistent or contrary provision of this Section 7.

8. Compensation Recovery. The Participant's PSUs are subject to the Clawback Policy adopted by the Board of Directors.

9. Delivery of Shares to the Participant. As soon as practicable after the PSUs vest and are converted into Shares, and subject to Section 11, the Custodian shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant by first-class insured mail addressed to the Participant at the address shown on page 1 or the last address of record on file with the Custodian, (a) a statement from the Custodian referencing the number of Shares held in the Participant's name in a book entry account, or (b) at the Participant's request, certificate(s) for the number of Shares as to which the PSUs vested. In any event, Shares due the Participant shall be delivered as described above no later than March 15 of the year following the calendar year in which such PSUs vest.

10. Dividend Equivalents. The Company shall credit the Participant's PSU account with an amount equal to the dividends, if any, that would be paid with respect to the unvested PSUs as if the PSUs were actual Shares to a shareholder as of the Record date. Such amount shall be credited to the Participant's PSU account at the same time dividends are paid with respect to the Shares, shall be subject to the vesting and forfeiture provisions set forth in Sections 3, 4 and 7 of the Agreement, and shall be paid to the Participant in cash, on the first payroll date following the date the Participant's related PSUs vest and are issued as Shares to the Participant.

11. Tax Withholdings and Payments.

(a) The Company or any Subsidiary or Affiliate is authorized to withhold from any payment to be made to the Participant, amounts of income tax withholding and other taxes due in connection with compensation or any other transaction under the Program, including the receipt of Shares under Section 6. The Participant shall hold the Company harmless for any damages caused by his or her failure to so comply and for any other damages caused by his or her actions or inactions.

(b) The Participant may pay withholding taxes attributable to the receipt of Shares in cash, by having Shares withheld by the Company from any Shares that would otherwise be received by the Participant under the Agreement (in which case, the number of Shares so withheld shall have an aggregate Fair Market Value at the time of such withholding sufficient to satisfy the applicable withholding taxes), or by any other method approved by the Committee. If the Participant does not satisfy the withholding obligation by cash payment within a reasonable time established by the Committee, the Participant's withholding obligation shall be satisfied by the Company's withholding of Shares from the vested PSUs.

(c) The Company shall deduct from the dividend equivalents paid to the Participant pursuant to Section 10 the Participant's withholding obligation arising from such payment.

12. Miscellaneous.

(a) The granting of an Award under the Program and the Agreement shall impose no obligation on the Company or any Subsidiary or Affiliate to continue the employment relationship or any other relationship between it and the Participant and shall not lessen or affect the Company's, Subsidiary's or Affiliate's right to terminate its relationship with the Participant. The Participant shall have no claim to be granted any further or other Award under the Program, and there is no obligation for uniformity of treatment of the Participants. The Participant acknowledges and agrees that: (i) the Program is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time; (ii) the grant of PSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs, even if PSUs have been granted repeatedly in the past; (iii) all decisions with respect to future PSU grants, if any, will be at the sole discretion of the Company; (iv) participation in the Program is voluntary; (v) the PSUs are not a part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (vi) the future value of the underlying shares is unknown and cannot be predicted with certainty; and (vii) in consideration of the grant of PSUs, no claim or entitlement to compensation or damages shall arise from termination of the PSUs or diminution in value of the PSUs or Shares received upon vesting including (without limitation) any claim or entitlement resulting from termination of the Participant's active employment by the Company or a Subsidiary or Affiliate (for any reason whatsoever and whether or not in breach of local labor laws) and the Participant hereby releases the Company and its Subsidiaries and Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim.

(b) The Agreement shall, subject to the terms hereof, terminate upon the forfeiture and/or vesting of all PSUs and dividend equivalents granted to the Participant hereunder, unless otherwise agreed upon by the parties hereto.

(c) The Agreement may be amended by the written agreement of the Company and the Participant. Notwithstanding the foregoing, (i) the Company may amend, alter or discontinue the Agreement, without the consent of the Participant so long as such amendment, alteration or discontinuance would not impair any of the rights or obligations under any Award theretofore granted to the Participant under the Program; and (ii) the Committee may amend the Agreement in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws.

(d) The parties agree that the Agreement shall be governed by and interpreted and construed in accordance with the laws of the United States and, in particular, those of the State of Illinois without regard to its conflict of law principles, as Illinois is the situs of the principal corporate office of the Company. Furthermore, to the extent not prohibited under applicable law, and unless the Company affirmatively elects in writing to allow the proceeding to be brought (or itself brings such a proceeding) in a different venue, the parties agree that any suit, action or proceeding with respect to the Program, the PSUs or the Agreement shall be brought in the state courts in Chicago, Illinois or in the U.S. District Court for the Northern District of Illinois. The parties hereby accept the exclusive jurisdiction of those courts for the purpose of any such suit, action or proceeding. Venue for any such action, in addition to any other venue required or otherwise mandated by statute, will be in Chicago, Illinois. Each party further agrees to waive any applicable right to a jury trial, and expressly elects to have the matter heard as a bench trial.

(e) Unless waived by the Company, any notice to the Company required under or relating to the Agreement shall be in writing and addressed to:

Chief Legal Officer & Corporate Secretary
Heidrick & Struggles International, Inc.
233 South Wacker Drive
Suite 4900
Chicago, IL 60606-6303

13. Program Governs. All terms and conditions of the Program are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Program and the Agreement, the terms and conditions of the Program, as interpreted by the Committee, shall govern.

14. Data Privacy. By signing below, the Participant voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 14. The Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, the Participant’s failure to provide the consent may affect the Participant’s ability to participate in the Program. The Company and its Subsidiaries and Affiliates hold certain personal information about the Participant, including the Participant’s name, home address and telephone number, date of birth, employee identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other rights or entitlements to shares of stock in the Participant’s favor, for the purpose of managing and administering the

Program (“Data”). The Company, its Subsidiaries and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Participant’s participation in the Program, and the Company and any of its Subsidiaries or Affiliates may each further transfer Data to any third parties assisting in the implementation, administration and management of the Program. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant’s participation in the Program, including any requisite transfer of such Data as may be required for the administration of the Program and/or the subsequent holding of Shares on the Participant’s behalf to a broker or other third party with whom the Participant may elect to deposit any Shares acquired pursuant to the Program. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, by withdrawing consent, the Participant will affect his or her ability to participate in the Program.

15. Execution of the Agreement.

(a) The Parties agree that this Agreement shall be considered executed by both parties executing the Agreement as the first page hereof, which is a part hereof.

(b) This Agreement, or any amendments thereto, may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

Exhibit 10.3

Non-Employee Director	**[NAME]**
Restricted Stock Unit Participation	**[ADDRESS]**
Agreement	

This Non-Employee Director Restricted Stock Unit Participation Agreement (the “Agreement”) is dated as of this 25th day of May, 2023 and sets forth the terms and conditions of the Award described below made by Heidrick & Struggles International, Inc. (the “Company”) to **NAME** (the “Participant”), pursuant to the Fourth Amended and Restated Heidrick & Struggles 2012 GlobalShare Program (the “Program”).

As of May 25, 2023 (the “Grant Date”), the Company has granted **[XXX]** Restricted Stock Units (“RSUs”) to the Participant as set forth herein. The RSUs are granted pursuant to the Program and are governed by the terms and conditions of the Program. All defined terms used herein, unless specifically defined in this Agreement, have the meanings assigned to them in the Program. The Participant agrees to be bound by all terms and conditions of the Agreement and the Program, and has received and reviewed a copy of the Program and the Prospectus for the Program dated June 22, 2020.

The RSUs granted under this Agreement shall not become valid or enforceable unless and until the Participant executes the Agreement and it is accepted by the Company. By the Participant’s signature and the Company’s signature below, the Participant and the Company agree that this constitutes the signature page of the Agreement. Participant further agrees that the RSUs are granted under and governed by the terms and conditions of the Agreement and the Program. Agreements that are not signed and returned shall be invalid and unenforceable.

As a material condition and inducement to the Company’s grant of RSUs to the Participant, the Participant agrees that he or she has received and reviewed the Program and the Prospectus, and the Participant further agrees to be bound by all of the terms and conditions of the Agreement and the Program, as may be amended by the Company from time to time.

IN WITNESS WHEREOF, the parties hereto have duly executed the Agreement as of the date first set forth above.

____
Name: [**NAME]**

Heidrick & Struggles International, Inc.

By: ____
Name: Tracey Heaton
Title: Chief Legal Officer & Corporate Secretary

NOW, THEREFORE, in consideration of the agreements of the Participant herein provided and pursuant to the Program, the parties agree as follows:

1. Definitions. All capitalized terms used herein, unless specifically defined herein, shall have the same meanings as established in the Program.

2. Participation. Pursuant to the Program and contingent upon the execution of the Agreement, the Company hereby grants to the Participant **[XXX]** RSUs subject to the terms and conditions herein.

3. Vesting of RSUs. All RSUs granted under the Agreement shall vest on the date the Participant ceases to be a Director of the Company.

4. Effect of Vesting.

a. When the Participant's RSUs vest under the terms of Section 3, such Participant shall receive as full consideration for the RSUs a number of shares of common stock with a par value $0.01 per Share, of the Company ("Shares") equal to the number of RSUs which vested on such date.

b. The RSUs granted to the Participant shall be maintained in a bookkeeping account with the custodian appointed by the Human Resources and Compensation Committee of the Board (the "Committee") from time to time (the "Custodian") for such Participant until the RSUs are converted into Shares pursuant to this Section 4, at which time the Shares shall be issued to the Participant in accordance with Section 5 below.

5. Delivery of Shares to the Participant. As soon as practicable after the RSUs vest and are converted into Shares, and subject to the terms of this Agreement, the Custodian shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant by first-class insured mail addressed to the Participant at the address shown on page 1 or the last address of record on file with the Custodian, (i) a statement from the Custodian referencing the number of Shares held in the Participant's name in book entry account, or (ii) at the Participant's request, certificate(s) for the number of Shares as to which the Shares vested. In any event, Shares due the Participant shall be delivered as described above no later than March 15 of the year following the calendar year in which such RSUs vest.

6. Compensation Recovery. The Participant's RSUs are subject to any clawback or recoupment policy in effect as of the Grant Date or which the Company may adopt from time to time to comply with applicable law or listing standard.

7. Dividend Equivalents. The Company shall credit the Participant's RSU account with an amount equal to the dividends, if any, that would be paid with respect to the unvested RSUs as if the RSUs were actual Shares to a shareholder as of the record date. Such amount shall be credited to the Participant's RSU account at the same time dividends are paid with respect to the Shares, shall be subject to the vesting provisions set forth in Section 3 of the Agreement, and shall be paid to the Participant in cash, as soon as practical following when the Participant's

related RSUs vest and are issued as Shares to the Participant (but in any event no later than March 15 of the year following the calendar year in which such RSUs vest) .

8. Miscellaneous.

a. The Agreement shall, subject to the terms hereof, terminate upon the vesting of all RSUs and dividend equivalents granted to the Participant hereunder, unless otherwise agreed upon by the parties hereto.

b. The Agreement may be amended by the written agreement of the Company and the Participant. Notwithstanding the foregoing, (i) the Company may amend or alter the Agreement, without the consent of the Participant so long as such amendment or alteration would not materially impair any of the rights or obligations of the Participant under this Agreement; and (ii) the Committee may amend the Agreement in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws.

c. The parties agree that the Agreement shall be governed by and interpreted and construed in accordance with the laws of the United States and, in particular, those of the State of Delaware without regard to its conflict of law principles. Furthermore, to the extent not prohibited under applicable law, and unless the Company affirmatively elects in writing to allow the proceeding to be brought (or itself brings such a proceeding) in a different venue, the parties agree that any suit, action or proceeding with respect to the Program, the RSUs or the Agreement shall be brought in the state courts in Chicago, Illinois or in the U.S. District Court for the Northern District of Illinois. The parties hereby accept the exclusive jurisdiction of those courts for the purpose of any such suit, action or proceeding. Venue for any such action, in addition to any other venue required or otherwise mandated by statute, will be in Chicago, Illinois. Each party further agrees to waive any applicable right to a jury trial, and expressly elects to have the matter heard as a bench trial.

d. Unless waived by the Company, any notice to the Company required under or relating to the Agreement shall be in writing and addressed to:

General Counsel
Heidrick & Struggles International, Inc.
233 South Wacker Drive
Suite 4900
Chicago, IL 60606-6303

9. Program Governs. All terms and conditions of the Program are incorporated herein and made part hereof as if stated herein. If there is any conflict between the terms and conditions of the Program and the Agreement, the terms and conditions of the Program, as interpreted by the Committee, shall govern.

10. Data Privacy. By signing above, the Participant voluntarily acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 10. The Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, the Participant's failure to provide the consent may affect the Participant's ability to participate in the Program. The Company and its Subsidiaries and Affiliates hold certain personal information about the Participant, including the Participant's

name, home address and telephone number, date of birth, social security number, nationality, any shares of stock or directorships held in the Company, details of all options or any other rights or entitlements to shares of stock in the Participant's favor, for the purpose of managing and administering the Program ("Data"). The Company, its Subsidiaries and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Participant's participation in the Program, and the Company and any of its Subsidiaries or Affiliates may each further transfer Data to any third parties assisting in the implementation, administration and management of the Program. These recipients may be located in the European Economic Area, or elsewhere throughout the world, such as the United States. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Program, including any requisite transfer of such Data as may be required for the administration of the Program and/or the subsequent holding of Shares on the Participant's behalf to a broker or other third party with whom the Participant may elect to deposit any Shares acquired pursuant to the Program. The Participant may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting the Company; however, by withdrawing consent, the Participant will affect his or her ability to participate in the Program.

11. Rights as a Shareholder. Except as set forth in Section 7, the Participant shall not be entitled to any privileges of ownership with respect to the Shares subject to the RSUs unless and until, and only to the extent, such shares become vested and are delivered to the Participant pursuant to Section 5 hereof and the Participant becomes a shareholder of record with respect to such shares.

12. Transfer Restrictions and Investment Representation.

a. Nontransferability of Award. Neither the RSUs nor any right hereunder or under the Program shall be transferable or be subject to attachment, execution or other similar process. In the event of any attempt by the Participant to alienate, assign, pledge, hypothecate or otherwise dispose of the RSUs or of any right hereunder or under the Program, except as provided for in the Program, or in the event of any levy or any attachment, execution or similar process upon the rights or interest conferred by the RSUs, the Company may terminate the RSUs by notice to the Participant and the RSUs and any related rights, including the right to dividend equivalents as described in Section 7, shall thereupon be cancelled.

b. Investment Representation. The Participant hereby covenants that (a) any sale of any Shares acquired upon the vesting of the RSUs shall be made either pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws and (b) the Participant shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

13. Compliance with Applicable Law. The RSUs is subject to the condition that if the listing, registration or qualification of the Shares subject to the RSUs upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the Shares subject to the RSUs shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

14. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Participant, acquire any rights hereunder in accordance with this Agreement or the Program.

15. Entire Agreement. This Agreement and the Program constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and the Participant.

16. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

17. Compliance With Section 409A of the Code. The RSUs are intended to comply with Section 409A of the Code, and shall be interpreted and construed accordingly, and each settlement hereunder shall be considered a separate payment for purposes of Section 409A of the Code.

18. Execution of the Agreement.

a. The Parties agree that this Agreement shall be considered executed by both parties executing the Agreement as the first page hereof, which is a part hereof.

b. This Agreement, or any amendments thereto, may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

CERTIFICATION

I, Krishnan Rajagopalan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: July 31, 2023

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

Exhibit 31.2

CERTIFICATION

I, Mark R. Harris, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: July 31, 2023

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

Exhibit 32.1

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 31, 2023

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

Exhibit 32.2

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 31, 2023

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