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

FORM 10-K

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

For the fiscal year ended December 31, 2019

OR

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

Commission File No. 0-25837

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

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

233 South Wacker Drive, Suite 4900, Chicago, Illinois 60606-6303
(Address of principal executive offices) (Zip Code)
(312) 496-1200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The aggregate market value of the registrant's Common Stock held by non-affiliates (excludes shares held by executive officers, directors and beneficial owners of 10% or more of the registrant's outstanding Common Stock) on June 28, 2019 was approximately $484,944,428 based upon the closing market price of $29.97 on that date of a share of Common Stock as reported on the Nasdaq Global Stock Market. As of February 21, 2020, there were 19,170,352 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 28, 2020, are incorporated by reference into Part III of this Form 10-K.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I

ITEM 1. BUSINESS

Overview

Heidrick & Struggles International, Inc. (“Heidrick & Struggles”) is a leadership advisory firm providing executive search and consulting services to businesses and business leaders worldwide. When we use the terms “Heidrick & Struggles,” “the Company,” “we,” “us” and “our,” in this Form 10-K, we mean Heidrick & Struggles International, Inc. a Delaware corporation, and its consolidated subsidiaries. We provide our services to a broad range of clients through the expertise of over 450 consultants located in major cities around the world. Heidrick & Struggles and its predecessors have been a leadership advisor for more than 60 years. Heidrick & Struggles was formed as a Delaware corporation in 1999 when two of our predecessors merged to form Heidrick & Struggles.

Our service offerings include the following:

Executive Search. We partner with respected organizations globally to build and sustain the best leadership teams in the world, with a specialized focus on the placement of top-level senior executives. We believe focusing on top-level senior executives provides the opportunity for several competitive advantages including access to and influence with key decision makers, increased potential for recurring search and consulting engagements, higher fees per search, enhanced brand visibility, and a leveraged global footprint. Working at the top of client organizations also facilitates the attraction and retention of high-caliber consultants who desire to serve top industry executives and their leadership needs. Our executive search services derive revenue through the fees generated for each search engagement, which generally are based on the annual compensation for the placed executive. We provide our executive search services primarily on a retained basis, recruiting senior executives whose first-year base salary and bonus averaged approximately $396,000 in 2019 on a worldwide basis.

The executive search industry is highly fragmented, consisting of several thousand executive search firms worldwide. Executive search firms are generally separated into two broad categories: retained search and contingency search. Retained executive search firms fulfill their clients’ senior leadership needs by identifying potentially qualified candidates and assisting clients in evaluating and assessing these candidates. Retained executive search firms generally are compensated for their services regardless of whether the client employs a candidate identified by the search firm and are generally retained on an exclusive basis. Typically, retained executive search firms are paid a retainer for their services equal to approximately one-third of the estimated first year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, executive search firms often are authorized to bill the client for one-third of the excess. In contrast, contingency search firms are compensated only upon successfully placing a recommended candidate.

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

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

Heidrick Consulting. In 2018, we combined our Leadership Consulting and Culture Shaping businesses to create Heidrick Consulting, a comprehensive offering of the firm's leadership advisory services. Our consulting services include leadership assessment and development, executive coaching and on-boarding, succession planning, team and board effectiveness, organizational performance acceleration, workforce planning and culture shaping. Our consulting services generate revenue primarily through the professional fees generated for each engagement which are generally based on the size of the project and scope of services. Heidrick Consulting represented less than 10% of our net revenue in 2019.

Client Base

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

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

Available Information

We maintain an Internet website at *http://www.heidrick.com*. We make available free of charge through the investor relations section of our website annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934 ("Exchange Act"), as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission (“SEC”). Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Officer, are our certificate of incorporation and by-laws, charters for our Audit and Finance Committee, Human Resources and Compensation Committee and Nominating and Board Governance Committee, our Policy Regarding Director Independence Determinations, our Policy on Reporting of Concerns Regarding Accounting and Other Matters, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director or senior financial officer.

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

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

Organization

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

Geographic Structure. We provide senior-level executive search and consulting services to our clients worldwide through a network of 54 offices in 28 countries. Each office size varies; however, major locations are staffed with consultants, research associates, administrative assistants and other support staff. Administrative functions are centralized where possible, although certain support and research functions are situated regionally because of variations in local requirements. We face risks associated with managing global operations, social and political instability, legal and regulatory requirements, potential adverse tax consequences and currency fluctuations in our international operations. For a more complete description of the risks associated with our business see the Section in this Form 10-K entitled “Item 1A - Risk Factors”.

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

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

Americas Executive Search. As of December 31, 2019, we had 200 consultants in our Americas segment. The largest offices in this segment, as defined by net revenue, are located in New York, Chicago, and Boston.

Europe Executive Search. As of December 31, 2019, we had 107 consultants in our Europe segment. The largest countries in this segment, as defined by net revenue, are the United Kingdom, France, and Germany.

Asia Pacific Executive Search. As of December 31, 2019, we had 73 consultants in our Asia Pacific segment. The largest countries in this segment, as defined by net revenue, are China (including Hong Kong), Australia, and Dubai.

Heidrick Consulting. As of December 31, 2019, we had 71 consultants in our Heidrick Consulting segment. The largest countries in this segment, as defined by net revenue, are the United States, the United Kingdom, and Dubai.

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Executive Search			
Americas	58%	57%	55%
Europe	19%	20%	20%
Asia Pacific	14%	14%	14%
Heidrick Consulting	9%	9%	11%

For financial information relating to each segment, see Note 18, *Segment Information*, in the Notes to Consolidated Financial Statements.

Global Industry Practices. Our executive search and consulting businesses operate in six broad industry practices listed below. These industry practices and their relative sizes, as measured by billings for 2019, 2018 and 2017, are as follows:

	Percentage of Billings		
Global Industry Practices	**2019**	**2018**	**2017**
Financial Services	26%	28%	27%
Industrial	21	21	18
Global Technology & Services	21	20	22
Consumer Markets	17	16	17
Healthcare & Life Sciences	12	11	12
Education, Non-Profit & Social Enterprise	3	4	4
	100%	100%	100%

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

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

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

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

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

Seasonality

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

Clients and Marketing

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

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

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

No single client accounted for more than 2% of our net revenue in 2019, and no more than 3% in 2018 or 2017. As a percentage of total revenue, our top ten clients in aggregate accounted for approximately 7% in 2019, 6% in 2018, and 7% in 2017.

Information Management Systems

We rely on technology to support our consultants and staff in the search process. Our technology infrastructure consists of internally developed databases containing candidate profiles and client records, coupled with online services, industry reference sources, and Leadership Signature, an internally developed assessment tool. We use technology to manage and share information on current and potential clients and candidates, to communicate to both internal and external constituencies and to support administrative functions.

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

Professional Staff and Employees

Our professionals are generally categorized either as consultants or associates. Associates assist consultants by providing research support, coordinating candidate contact and performing other engagement-related functions. As of December 31, 2019, we had a headcount of 1,780, consisting of 451 consultants (380 related to Executive Search and 71 related to Heidrick Consulting), 591 associates and 738 other search, support and Global Operations Support staff.

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

Competition

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

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

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

Regulation

We are subject to the U.S. securities laws and general corporate and commercial laws and regulations of the locations which we serve. These include regulations regarding anti-bribery, privacy and data protection, intellectual property, data security, data retention, personal information, economic or other trade prohibitions or sanctions. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. In the U.S., California has adopted the California Consumer Privacy Act of 2018 ("CCPA"), which became effective January 1, 2020 and which provides a new private right of action for data breaches and requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices and allow consumers to opt out of certain data sharing with third parties. In addition, several other U.S. states are considering adopting laws and regulations imposing obligations regarding the handling of personal data. Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. Most notably, certain aspects of our business are subject to the European Union's General Data Protection Regulation ("GDPR") which became effective on May 25, 2018. We have a GDPR compliance program to facilitate our ongoing efforts to comply with GDPR regulations. U.S. federal and state and foreign laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to change.

ITEM 1A. RISK FACTORS

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

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

Our success depends upon our ability to attract, integrate, develop, manage and retain quality consultants with the skills and experience necessary to fulfill our clients' needs and achieve our operational and financial goals. Our ability to hire and retain qualified consultants could be impaired by any diminution of our reputation, disparity in compensation relative to our competitors, modifications to our total compensation philosophy or competitor hiring programs. If we cannot attract, hire, develop and retain qualified consultants, our business, financial condition and results of operations may suffer. Our future success also depends upon our ability to integrate newly hired consultants successfully into our operations and to manage the performance of our consultants.

Failure to successfully integrate newly hired consultants or to manage the performance of our consultants could affect our profitability by causing operating inefficiencies that could increase operating expenses and reduce operating income. There is also a risk that unanticipated turnover in senior leadership could stall company activity, interrupt strategic vision or lower productive output which may adversely affect our business, financial condition and results of operations.

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

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

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

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

Our net revenue may be affected by adverse economic conditions.

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

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

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

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

We face aggressive competition.

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

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

We rely heavily on information management systems.

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

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

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

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

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

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

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

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

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

With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. In 2019, approximately 40% of our net revenue was generated outside the United States. As we typically transact business in the local currency of our subsidiaries, our profitability may be impacted by the translation of foreign currency financial statements into U.S. dollars. Significant long-term fluctuations in relative currency values, in particular an increase in the value of the U.S. dollar against foreign currencies, could have an adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

- diversion of management attention;
- failure to successfully further develop the acquired business;
- amortization of intangible assets, adversely affecting our reported results of operations;
- inability to retain and/or integrate the management, key personnel and other employees of the acquired business;
- inability to properly integrate businesses resulting in operating inefficiencies;

- inability to establish uniform standards, disclosure controls and procedures, internal control over financial reporting and other systems, procedures and policies in a timely manner;
- inability to retain the acquired company's clients;
- exposure to legal claims for activities of the acquired business prior to acquisition; and
- inability to generate revenues to offset any new liabilities assumed and expenses associated with an acquired business.

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

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

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

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

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

Our ability to access additional credit could be limited.

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

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

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

The expansion of social media platforms presents new risks and challenges that can cause damage to our brand and reputation.

There has been a marked increase in the use of social media platforms, including weblogs (or blogs), social media websites and other forms of Internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. The inappropriate and/or unauthorized use of such media vehicles by our clients or employees could increase our costs, cause damage to our brand, lead to litigation or result in information leakage, including the improper collection and/or dissemination of personally identifiable information of candidates and clients. In addition, negative or inaccurate posts or comments about us on any social networking platforms could damage our reputation, brand image and goodwill.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located in Chicago, Illinois. We have leased office space in 51 cities in 25 countries around the world. All of our offices are leased. We do not own any real estate. The aggregate office space under lease was 460,263 square feet as of December 31, 2019. Our office leases call for future minimum lease payments of approximately $120.6 million and have terms that expire between 2020 and 2030, exclusive of renewal options that we can exercise.

Our office space by geographic segment as of December 31, 2019 is as follows:

	Square Footage
Americas	259,661
Europe	111,337
Asia Pacific	89,265
Total	460,263

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

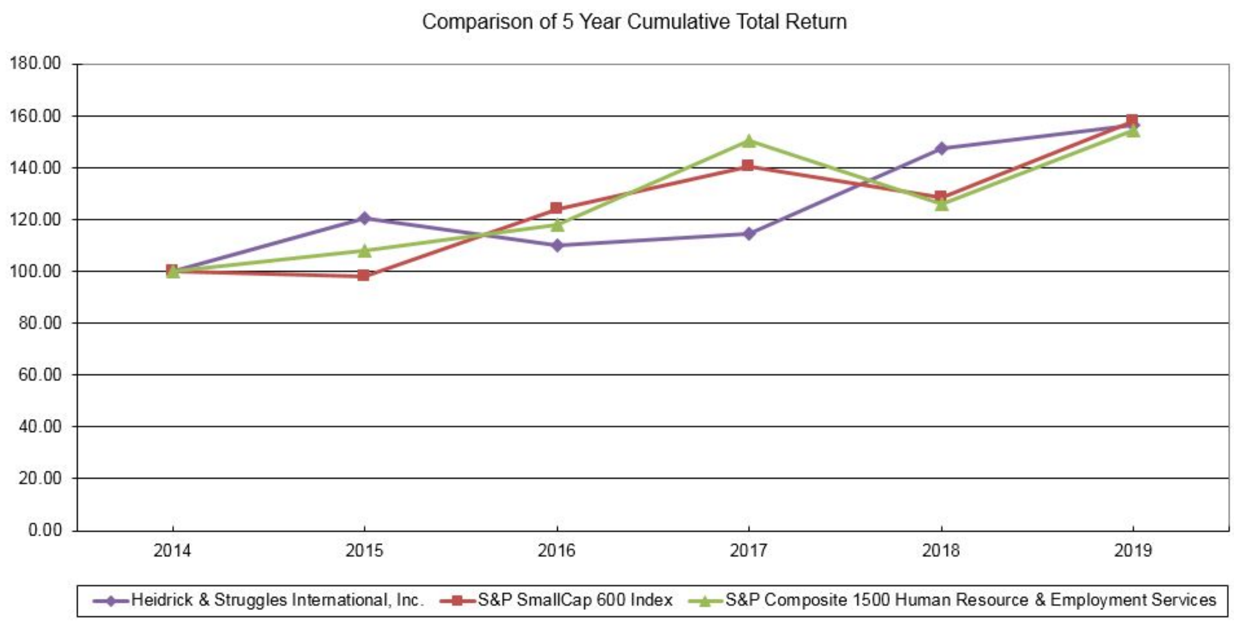
Market for our Common Stock

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

Performance Graph

We have presented below a graph which compares the cumulative total stockholder return on our common shares with the cumulative total stockholder return of the Standard & Poor's SmallCap 600 Index and the Standard & Poor's Composite 1500 Human Resource and Employment Services Index. The S&P Composite 1500 Human Resource & Employment Services Index includes 11 companies in related businesses, including Heidrick & Struggles. Cumulative total return for each of the periods shown in the performance graph is measured assuming an initial investment of $100 on December 31, 2014.

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



* Assuming $100 invested on 12/31/14 in HSII or index, including reinvestment of dividends.
Prepared by: Zacks Investment Research, Inc.
Copyright: Standard and Poor's, Inc.

Dividends

From September 2007 through December 2018, we paid a quarterly cash dividend of $0.13 per share as approved by our Board of Directors. Beginning with the dividend paid on March 22, 2019, we began paying a quarterly cash dividend of $0.15 per share as approved by our Board of Directors. In 2019, the total cash dividend paid was $0.60 per share.

In February 2020, our Board of Directors approved a quarterly dividend of $0.15 per share on our common stock which will be paid on March 20, 2020 to shareholders of record as of March 6, 2020.

In connection with the quarterly cash dividend, we also pay a dividend equivalent on outstanding restricted stock units. The amounts related to the dividend equivalent payments for restricted stock units are accrued over the vesting period and paid upon vesting. In 2019 and 2018, we paid $0.4 million and $0.2 million, respectively, in dividend equivalent payments.

Issuer Purchases of Equity Securities

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

Unregistered Sales of Equity Securities

During the year ended December 31, 2019, we issued 38,553 shares of our common stock as partial consideration for our acquisition of 2GET Holdings Limited as described in Note 8, *Acquisitions.* The shares were issued in reliance on Section 4(a)(2) of the Securities Act of 1933 as a transaction not involving any public offering.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below has been derived from our audited consolidated financial statements. The data as of December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017, is derived from the audited current and historical consolidated financial statements, which are included elsewhere in this Form 10-K. Other than noted below, the data as of December 31, 2017, 2016 and 2015, and for the years ended December 31, 2016 and 2015, are derived from audited historical consolidated financial statements, which are not included in this report. The data set forth is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations", the audited consolidated financial statements, the notes thereto, and the other financial data and statistical information included in this Form 10-K.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per share and other operating data)				
Statements of Operations Data:					
Revenue:					
Revenue before reimbursements (net revenue)	$ 706,924	$ 716,023	$ 621,400	$ 582,390	$ 531,139
Reimbursements	18,690	19,632	18,656	18,516	17,172
Total revenue	725,614	735,655	640,056	600,906	548,311
Operating expenses:					
Salaries and benefits	501,791	506,349	434,219	400,070	369,385
General and administrative expenses	137,492	140,817	147,316	147,087	127,692
Impairment charges (1)	—	—	50,722	—	—
Restructuring charges (2)	4,130	—	15,666	—	—
Reimbursed expenses	18,690	19,632	18,656	18,516	17,172
Total operating expenses	662,103	666,798	666,579	565,673	514,249
Operating income (loss)	63,511	68,857	(26,523)	35,233	34,062
Non-operating income (expense):					
Interest, net	2,880	1,141	385	244	(122)
Other, net	2,898	494	(3,280)	2,289	(2,386)
Net non-operating income (expense)	5,778	1,635	(2,895)	2,533	(2,508)
Income (loss) before income taxes	69,289	70,492	(29,418)	37,766	31,554
Provision for income taxes	22,420	21,197	19,217	22,353	14,422
Net income (loss)	$ 46,869	$ 49,295	$ (48,635)	$ 15,413	$ 17,132
Basic weighted average common shares outstanding	19,103	18,917	18,735	18,540	18,334
Diluted weighted average common shares outstanding	19,551	19,532	18,735	18,939	18,715
Basic net income (loss) per common share	$ 2.45	$ 2.61	$ (2.60)	$ 0.83	$ 0.93
Diluted net income (loss) per common share	$ 2.40	$ 2.52	$ (2.60)	$ 0.81	$ 0.92
Cash dividends paid per share	$ 0.60	$ 0.52	$ 0.52	$ 0.52	$ 0.52
Balance Sheet Data (at end of period):					
Working capital (3)	$ 149,140	$ 131,916	$ 77,998	$ 77,838	$ 79,533
Total assets (3)	844,173	700,629	587,204	581,502	572,718
Long-term debt, less current maturities	—	—	—	—	—
Stockholders' equity	309,115	267,156	212,705	258,590	254,802

(1) Includes impairment charges of $50.7 million related to Heidrick Consulting in 2017 (See Note 9, *Goodwill and Other Intangible Assets*).

(2) Includes restructuring charges of $4.1 million and $15.7 million in 2019 and 2017, respectively. The 2019 charges primarily consist of employee-related costs associated with severance arrangements. The 2017 charges consist of $13.1 million of employee-related costs associated with severance arrangements, $2.3 million in professional fees and other expenses and $0.3 million in real estate related expenses (See Note 15, *Restructuring).*

(3) As adjusted for the adoption of ASU No. 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes* in 2015.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this annual report on Form 10-K contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements are not historical facts, but instead represent only our beliefs, assumptions, expectations, estimates, forecasts and projections regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed under the Section heading "Risk Factors" in Part I, Item 1A of this Form 10-K.

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

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for years 2019 and 2018. for the discussion of changes from 2017 to 2018 and other financial information related to 2017, refer to "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018. This document was filed with the SEC on February 26, 2019.

Executive Overview

Our Business

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

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

We provide our services to a broad range of clients through the expertise of over 450 consultants located in major cities around the world. Our executive search services are provided on a retained basis. Revenue before reimbursements of out-of-pocket expenses ("net revenue") consists of retainers and indirect expenses billed to clients. Typically, we are paid a retainer for our executive search services equal to approximately one-third of the estimated first-year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, we often are authorized to bill the client for one-third of the excess. Indirect expenses are calculated as a percentage of the retainer with certain dollar limits per search.

Key Performance Indicators

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

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

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

Our Compensation Model

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

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

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

A portion of our Executive Search consultants' and management cash bonuses is deferred and paid over a three-year vesting period. The compensation expense related to the amounts being deferred is recognized on a graded vesting attribution method over the requisite service period. This service period begins on January 1 of the respective fiscal year and continues through the deferral date, which coincides with our bonus payments in the first quarter of the following year, and for an additional three-year vesting period. The deferrals are recorded in Accrued salaries and benefits in the Consolidated Balance Sheets.

2019 Overview

Consolidated net revenue was $706.9 million for the year ended December 31, 2019, a decrease of $9.1 million, or 1.3%, compared to 2018. Executive Search net revenue was $646.4 million in 2019, a decrease of $6.5 million compared to 2018. The decrease in Executive Search net revenue was the result of declines in Europe and Asia Pacific, partially offset by growth in the Americas. Our acquisition of 2Get in September 2019 also contributed to Executive Search net revenue. The number of Executive Search consultants was 380 as of December 31, 2019, compared to 353 as of December 31, 2018. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $1.7 million and $1.9 million for the years ended December 31, 2019 and 2018, respectively. The number of confirmed searches decreased 4.6% in 2019 compared to 2018. The average revenue per executive search increased to $132,000 in 2019 compared to $127,300 in 2018. Heidrick Consulting net revenue decreased $2.6 million, or 4.1%, to $60.6 million in 2019, from $63.1 million in 2018. The number of Heidrick Consulting consultants was 71 as of December 31, 2019, compared to 66 as of December 31, 2018.

Operating income as a percentage of net revenue was 9.0% in 2019, compared to 9.6% in 2018. The change in operating income was primarily due to a decrease in net revenue of $9.1 million and $4.1 million of restructuring charges in 2019, partially offset by decreases in salaries and benefits expense and general and administrative expense of $4.6 million and $3.3 million, respectively. Salaries and benefits expense as a percentage of net revenue was 71.0% in 2019 and 70.7% in 2018. General and administrative expense as a percentage of net revenue was 19.4% in 2019 and 19.7% in 2018.

We ended the year with combined cash, cash equivalents, and marketable securities of $332.9 million, an increase of $53.0 million compared to $279.9 million at December 31, 2018. The increase was primarily due to the strong cash inflows from operations partially offset by acquisition spend and larger bonus payments year-over-year. We pay the majority of bonuses in the first quarter following the year in which they were earned. Employee bonuses are accrued throughout the year and are based on the Company’s performance and the performance of the individual employee. We expect to pay approximately $205.0 million in bonuses related to 2019 performance in March and April 2020. In January 2020, we paid approximately $17.1 million in cash bonuses deferred from prior years.

2020 Outlook

We are currently forecasting 2020 first quarter net revenue of between $165 million and $175 million. Our 2020 first quarter guidance is based upon, among other things, management’s assumptions for the anticipated volume of new executive search confirmations and leadership consulting and culture shaping projects, the current backlog, consultant productivity, consultant retention, the seasonality of our business and average currency rates from December 2019.

Our 2020 first quarter guidance is subject to a number of risks and uncertainties, including those disclosed under "Item 1A - Risk Factors" and in this "Management’s Discussion and Analysis of Financial Condition and Results of Operations". As such, actual results could vary from these projections.

Results of Operations

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

	Year Ended December 31,		
	2019	2018	2017
Revenue			
Revenue before reimbursements (net revenue)	$ 706,924	$ 716,023	$ 621,400
Reimbursements	18,690	19,632	18,656
Total revenue	725,614	735,655	640,056
Operating Expenses			
Salaries and benefits	501,791	506,349	434,219
General and administrative expenses	137,492	140,817	147,316
Impairment charges (1)	—	—	50,722
Restructuring charges (2)	4,130	—	15,666
Reimbursed expenses	18,690	19,632	18,656
Total operating expenses	662,103	666,798	666,579
Operating income (loss)	63,511	68,857	(26,523)
Non-operating income (expense)			
Interest, net	2,880	1,141	385
Other, net	2,898	494	(3,280)
Net non-operating income (expense)	5,778	1,635	(2,895)
Income (loss) before taxes	69,289	70,492	(29,418)
Provision for income taxes	22,420	21,197	19,217
Net income (loss)	$ 46,869	$ 49,295	$ (48,635)
Basic weighted average common shares outstanding	19,103	18,917	18,735
Diluted weighted average common shares outstanding	19,551	19,532	18,735
Basic net income (loss) per common share	$ 2.45	$ 2.61	$ (2.60)
Diluted net income (loss) per common share	$ 2.40	$ 2.52	$ (2.60)
Cash dividends paid per share	$ 0.60	$ 0.52	$ 0.52

(1) Includes impairment charges of $50.7 million related to Heidrick Consulting in 2017 (See Note 9, *Goodwill and Other Intangible Assets).*

(2) Includes restructuring charges of $4.1 million in 2019 and $15.7 million in 2017. The 2019 charges consist primarily of employee-related costs associated with severance arrangements. The 2017 charges consist of $13.1 million of employee-related costs associated with severance arrangements, $2.3 million in professional fees and other expenses and $0.3 million in real estate related expenses (See Note 15, *Restructuring).*

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

	Year Ended December 31,		
	2019	2018	2017
Revenue:			
Revenue before reimbursements (net revenue)	100.0%	100.0%	100.0 %
Reimbursements	2.6	2.7	3.0
Total revenue	102.6	102.7	103.0
Operating expenses:			
Salaries and benefits	71.0	70.7	69.9
General and administrative expenses	19.4	19.7	23.7
Impairment charges	—	—	8.2
Restructuring charges	0.6	—	2.5
Reimbursed expenses	2.6	2.7	3.0
Total operating expenses	93.7	93.1	107.3
Operating income (loss)	9.0	9.6	(4.3)
Non-operating income (expense)			
Interest, net	0.4	0.2	0.1
Other, net	0.4	0.1	(0.5)
Net non-operating income (expense)	0.8	0.2	(0.5)
Income (loss) before income taxes	9.8	9.8	(4.7)
Provision for income taxes	3.2	3.0	3.1
Net income (loss)	6.6%	6.9%	(7.8)%

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

We operate our Executive Search business in the Americas, Europe (which includes Africa) and Asia Pacific (which includes the Middle East), and we operate our Heidrick Consulting business globally (See Note 18, *Segment Information*).

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

	Year Ended December 31,		
	2019	2018	2017
Revenue:			
Executive Search			
Americas	$ 415,455	$ 405,267	$ 339,793
Europe	135,070	145,348	125,346
Asia Pacific	95,827	102,276	86,905
Total Executive Search	646,352	652,891	552,044
Heidrick Consulting	60,572	63,132	69,356
Revenue before reimbursements (net revenue)	706,924	716,023	621,400
Reimbursements	18,690	19,632	18,656
Total revenue	$ 725,614	$ 735,655	$ 640,056
Operating income (loss):			
Executive Search			
Americas (1)	$ 100,833	$ 96,880	$ 75,337
Europe (2)	3,026	5,849	13
Asia Pacific (3)	13,590	15,999	537
Total Executive Search	117,449	118,728	75,887
Heidrick Consulting (4)	(18,499)	(13,619)	(62,368)
Total segments	98,950	105,109	13,519
Global Operations Support (5)	(35,439)	(36,252)	(40,042)
Total operating income (loss)	$ 63,511	$ 68,857	$ (26,523)

(1) Operating income for the Americas includes $4.1 million and $0.8 million of restructuring charges in 2019 and 2017, respectively.
(2) Operating income for Europe includes $4.0 million of restructuring charges in 2017.
(3) Operating income for Asia Pacific includes $2.0 million of restructuring charges in 2017.
(4) Operating loss for Heidrick Consulting includes less than $0.1 million of restructuring charges in 2019, and $50.7 million of impairment charges and $3.4 million of restructuring charges in 2017.
(5) Operating loss for Global Operations Support includes less than $0.1 million and $5.5 million of restructuring charges in 2019 and 2017, respectively.

Year ended December 31, 2019 compared to year ended December 31, 2018

Total revenue. Consolidated total revenue decreased $10.0 million, or 1.4%, to $725.6 million in 2019 from $735.7 million in 2018. 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 $9.1 million, or 1.3%, to $706.9 million in 2019 from $716.0 million in 2018. Foreign exchange rates negatively impacted results by $11.3 million, or 1.6%. Executive Search net revenue was $646.4 million in 2019, a decrease of $6.5 million compared to 2018. The decrease in Executive Search net revenue was the result of declines in both Europe and Asia Pacific, partially offset by growth in the Americas. Heidrick Consulting net revenue decreased $2.6 million, or 4.1%, to $60.6 million in 2019 from $63.1 million in 2018.

The number of Executive Search and Heidrick Consulting consultants was 380 and 71, respectively, as of December 31, 2019, compared to 353 and 66, respectively, as of December 31, 2018. Specific to Executive Search, which is our largest business, productivity as measured by annualized net Executive Search revenue per consultant was $1.7 million and $1.9 million for the years ended December 31, 2019 and 2018, respectively. The number of confirmed searches decreased 4.6% compared to 2018. The average revenue per executive search increased to $132,000 in 2019 compared to $127,300 in 2018.

Salaries and benefits. Consolidated salaries and benefits expense decreased $4.6 million, or 0.9%, to $501.8 million in 2019 from $506.3 million in 2018. The decrease was due to lower variable compensation of $17.5 million, partially offset by higher fixed compensation of $12.9 million. Variable compensation decreased due to lower consultant productivity compared to the prior year. Included in variable compensation for the year ended December 31, 2019 is $0.6 million of contingent compensation for the former owners of 2GET, which is based on the achievement of certain revenue and EBITDA milestones for the period from acquisition through 2023. Fixed compensation increased due to the deferred compensation plan, stock compensation, base salaries and payroll taxes, and retirement and benefits, partially offset by declines in talent acquisition and retention costs and separation. Foreign exchange rate fluctuations positively impacted salaries and benefits expenses by $8.2 million, or 1.6%.

In 2019, we had an average of 1,680 employees, compared to an average of 1,610 employees in 2018.

As a percentage of net revenue, salaries and benefits expense was 71.0% in 2019 compared to 70.7% in 2018.

General and administrative expenses. Consolidated general and administrative expenses decreased $3.3 million, or 2.4%, to $137.5 million in 2019 from $140.8 million in 2018. The decrease was primarily due to decreases in professional fees, intangible amortization, resource library fees, and office occupancy expenses, partially offset by increases in bad debt, the use of external third-party consultants, and taxes and licenses. Foreign exchange rate fluctuations positively impacted general and administrative expenses by $2.1 million, or 1.5%.

As a percentage of net revenue, general and administrative expenses were 19.4% in 2019 compared to 19.7% in 2018.

Restructuring charges. The Company incurred approximately $4.1 million in restructuring charges during the year ended December 31, 2019 in connection with initiatives to integrate the Company's legacy Brazil operations into the 2GET business operation. The expenses are primarily employee-related including the elimination of duplicative positions in the Company's legacy Brazil operations. There were no similar restructuring charges during the year ended December 31, 2018.

Operating income. Consolidated operating income was $63.5 million in 2019, including restructuring charges of $4.1 million, compared to $68.9 million in 2018. Foreign exchange rate fluctuations negatively impacted operating income by $1.1 million or 1.6%. Excluding the impact of restructuring charges in 2019, operating income decreased $1.2 million from $68.9 million to $67.6 million.

Net non-operating income (expense). Net non-operating income was $5.8 million in 2019 compared to $1.6 million in 2018.

Net interest income was $2.9 million in 2019, a $1.7 million increase from $1.1 million in 2018. The increase was primarily due to interest earned on marketable securities, which are primarily comprised of U.S. Treasury bills.

Other, net was income of $2.9 million in 2019 compared to $0.5 million in 2018. The increase was primarily the result of gains on the deferred compensation plan assets.

Income taxes. See Note 16, *Income Taxes*.

Executive Search

Americas

The Americas segment reported net revenue of $415.5 million in 2019, an increase of 2.5% from $405.3 million in 2018. The increase in net revenue was driven by an increase in average revenue per executive search. All industry practice groups contributed to the increased net revenue with the exception of the Education and Social Enterprises, and Financial Services practice groups. Foreign exchange fluctuations negatively impacted net revenue by $0.8 million, or 0.2%. There were 200 Executive Search consultants in the Americas as of December 31, 2019, compared to 179 as of December 31, 2018.

Salaries and benefits expense decreased $0.1 million from 2018. Fixed compensation increased $14.8 million, primarily due to base salaries and payroll taxes, the deferred compensation plan, stock compensation, and retirement and benefits, partially offset by a decrease in talent acquisition and retention costs. Variable compensation decreased $14.9 million primarily due to the mix of consultant productivity. Included in variable compensation for the year ended December 31, 2019 is $0.6 million of contingent compensation for the former owners of 2GET, which is based on the achievement of certain revenue and EBITDA milestones for the period from acquisition through 2023.

General and administrative expenses increased $2.2 million, or 4.8%, from 2018 due to increases in bad debt, internal travel, taxes and licenses, office occupancy expenses, and professional fees, partially offset by decreases in research tool expenses and the use of external third-party consultants.

The Americas segment incurred approximately $4.1 million in restructuring charges during the year ended December 31, 2019 in connection with initiatives to integrate the Company's legacy Brazil operations into the 2GET business operation. The expenses are primarily employee-related including the elimination of duplicative positions in the Company's legacy Brazil operations. There were no similar restructuring charges during the year ended December 31, 2018.

Operating income was $100.8 million in 2019, an increase of $3.9 million, compared to $96.9 million in 2018. Excluding the impact of restructuring charges in 2019, operating income increased $8.1 million from $96.9 million in 2018 to $104.9 million in 2019.

Europe

Europe reported net revenue of $135.1 million in 2019, a decrease of 7.1% from $145.3 million in 2018. The decrease in net revenue was due to a 5.1% decrease in the number of executive search confirmations. All industry practice groups contributed to the decline in revenue with the exception of the Global Technology and Services practice group. Foreign exchange rate fluctuations negatively impacted net revenue by $6.8 million, or 4.8%. There were 107 Executive Search consultants in Europe as of December 31, 2019, compared to 101 as of December 31, 2018.

Salaries and benefits expense decreased $4.2 million, or 4.0%, from 2018. Fixed compensation decreased $0.2 million, primarily due to decreases in base salaries and payroll taxes and retirement and benefits, partially offset by increases in talent acquisition and retention costs, and stock compensation. Variable compensation decreased $4.0 million due to a decline in consultant productivity.

General and administrative expenses decreased $3.3 million, or 9.5% from 2018, primarily due to decreases in professional fees, intangible amortization, internal travel, and office occupancy expenses.

The Europe segment reported operating income of $3.0 million in 2019 compared to $5.8 million in 2018.

Asia Pacific

Asia Pacific reported net revenue of $95.8 million in 2019, a decrease of 6.3% compared to $102.3 million in 2018. The decrease in net revenue was due to a 12.3% decrease in the number of executive search confirmations, partially offset by an increase in average revenue per executive search. All industry practice groups contributed to the decline in revenue with the exception of the Global Technology and Services practice group. Foreign exchange rate fluctuations negatively impacted net revenue by $2.7 million, or 2.7%. There were 73 Executive Search consultants in Asia Pacific as of both December 31, 2019 and 2018.

Salaries and benefits expense decreased $3.3 million, or 5.0%, from 2018. Fixed compensation decreased $3.7 million due to decreases in base salaries and payroll taxes, and talent acquisition and retention costs, partially offset by increases in retirement and benefits, and stock compensation. Variable compensation increased $0.4 million due to the mix of consultant productivity.

General and administrative expenses decreased $0.7 million, or 3.5%, from 2018 primarily due to a decrease in office occupancy expenses, partially offset by increases in bad debt and internal travel.

The Asia Pacific segment reported operating income of $13.6 million in 2019, a decrease of $2.4 million compared to $16.0 million in 2018.

Heidrick Consulting

The Heidrick Consulting segment reported net revenue of $60.6 million in 2019, a decrease of 4.1% compared to $63.1 million in 2018. The decrease in net revenue was due to a decrease in revenue per consulting engagement. Foreign exchange rate fluctuations negatively impacted results by $1.1 million, or 1.7%. There were 71 Heidrick Consulting consultants as of December 31, 2019, compared to 66 as of December 31, 2018.

Salaries and benefits expense increased $4.0 million, or 7.5%, from 2018. Fixed compensation increased $1.8 million, primarily due to increases in base salaries and payroll taxes, and retirement and benefits, partially offset by a decrease in talent acquisition and retention costs. Variable compensation increased $2.2 million due to cross collaboration bonuses.

General and administrative expenses decreased $1.7 million, or 7.0%, from 2018, primarily due to decreases in professional fees, information technology, and earnout accretion, partially offset by increases in the use of external third-party consultants and internal travel.

The Heidrick Consulting segment reported an operating loss of $18.5 million in 2019, an increase of $4.9 million compared to an operating loss of $13.6 million in 2018.

Global Operations Support

Global Operations Support expenses decreased $0.8 million, or 2.3%, to $35.4 million from $36.3 million in 2018.

Salaries and benefits expenses decreased $0.9 million, or 4.4%, due to decreases in management bonuses, separation, and stock compensation, partially offset by increases in base salaries and payroll taxes and retirement and benefits.

General and administrative expenses increased $0.1 million due to increases in information technology, the use of external third-party consultants, and taxes and licenses, partially offset by decreases in internal travel, professional fees, and office occupancy expenses.

Global Operations Support incurred less than $0.1 million in restructuring charges during the year ended December 31, 2019. There were no similar restructuring charges during the year ended December 31, 2018.

Liquidity and Capital Resources

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

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

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

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

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

Before October 26, 2018, we were party to the Restated Credit Agreement. The Restated Credit Agreement provided a single senior unsecured revolving line of credit with an aggregate commitment of up to $100 million, which included a sublimit of $25 million for letters of credit, and a $50 million expansion feature. Borrowings under the Restated Credit Agreement bore interest at our election of the existing Alternate Base Rate (as defined in the Restated Credit Agreement) or the Adjusted LIBOR Rate (as defined in the Restated Credit Agreement) plus a spread as determined by our leverage ratio.

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

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

Cash, cash equivalents, and marketable securities. Cash, cash equivalents and marketable securities at December 31, 2019 were $332.9 million, an increase of $53.0 million compared to $279.9 million at December 31, 2018. The $332.9 million of cash, cash equivalents, and marketable securities at December 31, 2019 includes $131.6 million held by our foreign subsidiaries. The foreign cash balance of $131.6 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the United States, the repatriation of these funds could cause us to incur additional foreign withholding taxes. We expect to pay approximately $205.0 million in variable compensation related to 2019 performance in March and April 2020. In January 2020, we paid approximately $17.1 million in variable compensation that was deferred in prior years.

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

Cash provided by operating activities for the year ended December 31, 2018, was $102.9 million, primarily reflecting net income net of non-cash charges of $68.6 million, an increase in accrued expenses of $71.5 million, partially offset by an increase in accounts receivable of $16.8 million and restructuring payments of $11.6 million. The increase in accrued expenses primarily reflects approximately $202.0 million of bonus accruals, partially offset by $148.0 million of bonus payments for 2017 made in early 2018.

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

Cash used in investing activities for the year ended December 31, 2018, was $8.2 million, primarily due to capital expenditures of $6.0 million, the acquisition in January 2018 of Amrop A/S ("Amrop") for $3.1 million and purchases of available for sale securities of $2.2 million, partially offset by proceeds from the sale of available for sale securities of $3.0 million. The increase in capital expenditures is primarily the result of office build-outs and a global information technology update.

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

Cash used in financing activities for the year ended December 31, 2018, was $17.0 million due to cash dividend payments of $10.2 million, earnout payments related to the JCA Group acquisition of $3.6 million and the payment of employee tax withholdings on equity transactions of $2.2 million. Gross proceeds and payments on the Company's line of credit were each $20.0 million during the year ended December 31, 2018.

On February 11, 2008, we announced that our Board of Directors authorized management to repurchase shares of our common stock with an aggregate total amount up to $50 million. We may from time to time and as business conditions warrant purchase shares of our common stock on the open market or in negotiated or block trades. No time limit has been set for completion of this program. We did not repurchase any shares of our common stock in 2019. The most recent purchase of shares of common stock occurred during the year ended December 31, 2012. As of December 31, 2019, we have purchased 1,038,670 shares of our common stock for a total of $28.3 million and $21.7 million remains available for future purchases under the authorization. Unless terminated or extended earlier by resolution of the Board of Directors, the program will expire when the amount authorized for repurchases has been spent.

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

Contractual obligations. The following table presents our known contractual obligations as of December 31, 2019, and the expected timing of cash payments related to these contractual obligations (in millions):

	Payments due for the years ended December 31,						
	2020	2021	2022	2023	2024	Thereafter	Total
Contractual obligations:							
Operating lease obligations	$ 30.2	$ 27.2	$ 23.6	$ 20.6	$ 10.0	$ 9.0	$ 120.6
Asset retirement obligations (1)	0.6	0.9	0.1	0.5	0.8	0.1	3.0
Total	$ 30.8	$ 28.1	$ 23.7	$ 21.1	$ 10.8	$ 9.1	$ 123.6

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

In addition to the contractual obligations included in the above table, we have liabilities related to certain employee benefit plans. These liabilities are recorded in our Consolidated Balance Sheet at December 31, 2019. 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 Notes to Consolidated Financial Statements. As the timing of cash disbursements related to these employee benefit plans is uncertain, we have not included these obligations in the above table. The table excludes our liability for uncertain tax positions including accrued interest and penalties, which totaled $0.2 million as of December 31, 2019, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

Application of Critical Accounting Policies and Estimates

General. Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared using accounting principles generally accepted in the United States of America. Our significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies* and Note 3, *Revenue*, in the Notes to Consolidated Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, there are different estimates that reasonably could have been used, or if changes in the accounting estimates are reasonably likely to occur periodically, that could materially impact the financial statements. Management believes the following critical accounting policies reflect its more significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Revenue recognition. In our Executive Search segment, revenue is recognized as we satisfy our performance obligations by transferring a good or service to a client. Generally, each of our executive search contracts contain one performance obligation which is the process of identifying potentially qualified candidates for a specific client position. In most contracts, the transaction price includes both fixed and variable consideration. Fixed compensation is comprised of a retainer, equal to approximately one-third of the estimated first year compensation for the position to be filled, and indirect expenses, equal to a specified percentage of the retainer, as defined in the contract. The Company generally bills its clients for its 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.

As required under Accounting Standards Update ("ASU") No. 2014-09, 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 that 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 our executive search engagement performance obligation is recognized over time as our 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 our obligations under the executive search contract. Revenue is generally recognized over a period of approximately six months.

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

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

The Company enters into enterprise agreements with clients to provide a license for online access, via the Company's Culture Connect platform, to training and other proprietary material related to the Company's culture shaping programs. The consideration the Company expects to receive under the terms of an enterprise agreement is comprised of a single fixed fee. Our enterprise agreements contain multiple performance obligations, the delivery of materials via Culture Connect and material rights related to options to renew enterprise agreements at a significant discount. 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.

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.

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

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

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

Goodwill and other intangible assets. We review goodwill for impairment annually. We also review goodwill and long-lived assets, including identifiable intangible assets, for impairment whenever events or changes in circumstances indicate that it is more-likely-than-not that the fair value has fallen below the carrying amount of an asset. We review factors such as a significant change in business climate, attrition of key personnel, changes in financial condition or results of operations, a prolonged decline in our stock price and market capitalization, competition, and other factors to determine if an impairment test is necessary. Our annual impairment test begins with a qualitative assessment to determine whether it is necessary to perform a fair value-based goodwill impairment test. The qualitative assessment includes evaluating whether events and circumstances indicate that it is more-likely-than-not that fair values of reporting units are greater than the carrying values. If the qualitative factors do not indicate that it is more-likely-than-not that the fair values of the reporting units are greater than the carrying values, then we perform the fair value test.

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

Additionally, we review long-lived assets, such as property, equipment, and purchased intangibles subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge, equal to the amount by which the carrying amount of the asset exceeds the fair value of the asset, is recognized.

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

Recently Adopted Financial Accounting Standards

On January 1, 2019, we adopted Accounting Standards Update ("ASU") No. 2016-02, Leases, ASU No. 2018-10, Codification Improvements to Topic 842 (Leases) and ASU No. 2018-11, Targeted Improvements to Topic 842 (Leases). The guidance is intended to increase transparency and comparability among companies for leasing transactions, including a requirement for companies that lease assets to recognize on their balance sheets the assets and liabilities for the rights and obligations created by those leases. The guidance also provides for disclosures that allow the users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

We adopted the guidance using the modified retrospective method without restatement of comparative periods. As such, periods prior to the date of adoption are presented in accordance with ASC 840 - Leases. We utilized the available practical expedient that allowed for companies to not reassess whether existing contracts contain a lease under the new definition of a lease,

lease classification for existing leases and whether previously capitalized initial direct costs would qualify for capitalization under the new guidance.

The adoption of this guidance had a material impact on the Condensed Consolidated Balance Sheet as of December 31, 2019 due to the recognition of equal right-of-use assets and lease liabilities for our portfolio of operating leases. The right-of-use asset balance was then adjusted by the reclassification of pre-existing prepaid and accrued rent balances from other line items within the Condensed Consolidated Balance Sheet. The adoption had an immaterial impact on the Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Statement of Cash Flows for the year ended December 31, 2019. The adoption had no impact on the Condensed Consolidated Statement of Changes in Stockholders' Equity for the year ended December 31, 2019.

Additional information and disclosures required by the new standard are contained in Note 6, *Leases*.

On January 1, 2019, we adopted ASU No. 2018-02, Income Statement - Reporting Comprehensive Income, which is intended to improve the usefulness of information reported as a result of the Tax Cuts and Jobs Act. The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The adoption of this guidance did not have an impact on our consolidated financial statements for the year ended December 31, 2019.

Recent Financial Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB"), issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes. The guidance simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Accounting Standards Codification ("ASC") 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. The guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The standard is effective for fiscal years beginning after December 15, 2019. The Company will adopt this guidance in its fiscal year beginning January 1, 2020. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial statements.

Quarterly Financial Information (Unaudited)

The following table sets forth certain financial information for each quarter of 2019 and 2018. The information is derived from our quarterly consolidated financial statements which are unaudited but which, in the opinion of management, have been prepared on the same basis as the audited annual consolidated financial statements included in this document. The consolidated financial data shown below should be read in conjunction with the consolidated financial statements and notes thereto. The operating results for any quarter are not necessarily indicative of results for any future period.

	Quarter Ended							
	2019				2018			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Revenue before reimbursements (net revenue)	$ 171,594	$ 173,122	$ 182,174	$ 180,034	$ 160,071	$ 183,059	$ 187,588	$ 185,305
Operating income (1)	16,391	18,353	14,472	14,295	13,121	18,461	20,583	16,692
Income before income taxes	18,842	19,473	14,827	16,147	12,912	18,411	23,187	15,982
Provision for income taxes	6,755	5,193	4,880	5,592	2,744	6,948	6,718	4,787
Net income	$ 12,087	$ 14,280	$ 9,947	$ 10,555	$ 10,168	$ 11,463	$ 16,469	$ 11,195
Basic earnings per common share	$ 0.64	$ 0.75	$ 0.52	$ 0.55	$ 0.54	$ 0.61	$ 0.87	$ 0.59
Diluted earnings per common share	$ 0.62	$ 0.73	$ 0.51	$ 0.54	$ 0.53	$ 0.59	$ 0.85	$ 0.58
Cash dividends paid per share	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.13	$ 0.13	$ 0.13	$ 0.13

(1) Includes $4.1 million of restructuring charges for the three months ended September 30, 2019.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency market risk. With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. A 10% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our 2019 net income by approximately $0.9 million. However, because certain assets and liabilities are denominated in currencies other than their respective functional currency, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. Based on balances exposed to fluctuation in exchange rates as of December 31, 2019, a 10% increase or decrease equally in the value of currencies could result in a foreign exchange gain or loss of approximately $1.4 million. In addition, as the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. For financial information by segment, see Note 18, *Segment Information*, in the Notes to Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Heidrick & Struggles International, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income (loss), changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated February 24, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Lease Accounting
As discussed in Note 6 to the financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of ASC 842 - Leases.

Segment Reporting
As discussed in Note 18 to the financial statements, the Company changed the composition of its segment information in 2018. We audited the adjustments necessary to restate the 2017 segment information provided in Note 18. In our opinion, such adjustments are appropriate and have been properly applied.

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

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

/s/ RSM US LLP

We have served as the Company's auditor since 2018

Chicago, Illinois
February 24, 2020

Report of Independent Registered Public Accounting Firm

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

Opinion on the Internal Control Over Financial Reporting

We have audited Heidrick & Struggles International, Inc.'s (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income (loss), changes in stockholders' equity and cash flows of the Company for each of the two years in the period ended December 31, 2019, and our report dated February 24, 2020 expressed an unqualified opinion.

Basis for Opinion

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ RSM US LLP

Chicago, Illinois
February 24, 2020

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements
We have audited, before the effects of the adjustments to retrospectively apply the change in accounting described in Note 18, the consolidated statements of comprehensive loss, changes in stockholders' equity, and cash flows of Heidrick & Struggles International, Inc. and subsidiaries (the Company) for the year ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). The 2017 consolidated financial statements before the effects of the adjustments described in Note 18 are not presented herein. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting described in Note 18, present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in Note 18 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

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

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

/s/ KPMG LLP

We served as the Company's auditor from 2002 to 2018.

Chicago, Illinois
March 13, 2018

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

	December 31, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents	$ 271,719	$ 279,906
Marketable securities	61,153	—
Accounts receivable, net	109,163	114,977
Prepaid expenses	20,185	22,766
Other current assets	27,848	29,598
Income taxes recoverable	4,414	3,620
Total current assets	494,482	450,867
Non-current assets:		
Property and equipment, net	28,650	33,871
Operating lease right-of-use assets	99,391	—
Assets designated for retirement and pension plans	13,978	15,035
Investments	25,409	19,442
Other non-current assets	20,434	22,276
Goodwill	126,831	122,092
Other intangible assets, net	1,935	2,216
Deferred income taxes, net	33,063	34,830
Total non-current assets	349,691	249,762
Total assets	$ 844,173	$ 700,629
Current liabilities:		
Accounts payable	$ 8,633	$ 9,166
Accrued salaries and benefits	234,306	227,653
Deferred revenue	41,267	40,673
Operating lease liabilities	30,955	—
Other current liabilities	26,253	33,219
Income taxes payable	3,928	8,240
Total current liabilities	345,342	318,951
Non-current liabilities:		
Accrued salaries and benefits	59,662	57,234
Retirement and pension plans	46,032	39,865
Operating lease liabilities	79,388	—
Other non-current liabilities	4,634	17,423
Total non-current liabilities	189,716	114,522
Total liabilities	535,058	433,473
Commitments and contingencies (Note 20)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued at December 31, 2019 and December 31, 2018	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 19,165,954 and 18,954,275 shares outstanding at December 31, 2019 and December 31, 2018, respectively	196	196
Treasury stock at cost, 419,823 and 631,502 shares at December 31, 2019 and December 31, 2018, respectively	(14,795)	(20,298)
Additional paid in capital	228,807	227,147
Retained earnings	91,083	56,049
Accumulated other comprehensive income	3,824	4,062
Total stockholders' equity	309,115	267,156
Total liabilities and stockholders' equity	$ 844,173	$ 700,629

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

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

	December 31,		
	2019	**2018**	**2017**
Revenue:			
Revenue before reimbursements (net revenue)	$ 706,924	$ 716,023	$ 621,400
Reimbursements	18,690	19,632	18,656
Total revenue	725,614	735,655	640,056
Operating expenses:			
Salaries and benefits	501,791	506,349	434,219
General and administrative expenses	137,492	140,817	147,316
Impairment charges	—	—	50,722
Restructuring charges	4,130	—	15,666
Reimbursed expenses	18,690	19,632	18,656
Total operating expenses	662,103	666,798	666,579
Operating income (loss)	63,511	68,857	(26,523)
Non-operating income (expense):			
Interest, net	2,880	1,141	385
Other, net	2,898	494	(3,280)
Net non-operating income (expense)	5,778	1,635	(2,895)
Income (loss) before income taxes	69,289	70,492	(29,418)
Provision for income taxes	22,420	21,197	19,217
Net income (loss)	46,869	49,295	(48,635)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	844	(3,885)	6,853
Net unrealized gain on available-for-sale investments	13	—	2,660
Pension gain (loss) adjustment	(1,095)	721	480
Other comprehensive income (loss), net of tax	(238)	(3,164)	9,993
Comprehensive income (loss)	$ 46,631	$ 46,131	$ (38,642)
Basic weighted average common shares outstanding	19,103	18,917	18,735
Diluted weighted average common shares outstanding	19,551	19,532	18,735
Basic net income (loss) per common share	$ 2.45	$ 2.61	$ (2.60)
Diluted net income (loss) per common share	$ 2.40	$ 2.52	$ (2.60)
Cash dividends paid per share	$ 0.60	$ 0.52	$ 0.52

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

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

	Year Ended December 31,		
	2019	2018	2017
Cash flows - operating activities:			
Net income (loss)	$ 46,869	$ 49,295	$ (48,635)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	10,371	12,522	14,774
Deferred income taxes	1,644	(3,496)	(1,690)
Stock-based compensation expense	10,298	8,947	4,935
Accretion expense related to earnout payments	668	1,285	1,038
Impairment charges	—	—	50,722
Gain on marketable securities	(595)	—	—
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	6,899	(16,759)	(1,882)
Accounts payable	(994)	(526)	1,474
Accrued expenses	2,441	71,526	18,330
Restructuring accrual	1,959	(11,617)	13,025
Deferred revenue	175	(1,899)	2,010
Income taxes (payable) recoverable, net	(5,450)	757	3,381
Retirement and pension plan assets and liabilities	3,258	(1,492)	3,065
Prepaid expenses	(455)	(893)	797
Other assets and liabilities, net	1,557	(4,748)	5,626
Net cash provided by operating activities	78,645	102,902	66,970
Cash flows - investing activities:			
Acquisition of businesses, net of cash acquired	(3,520)	(3,083)	(364)
Capital expenditures	(3,352)	(5,960)	(14,022)
Purchases of available for sale investments	(130,411)	(2,201)	(2,269)
Proceeds from sale of available for sale investments	67,968	2,995	1,404
Net cash used in investing activities	(69,315)	(8,249)	(15,251)
Cash flows - financing activities:			
Proceeds from line of credit	—	20,000	40,000
Payments on line of credit	—	(20,000)	(40,000)
Debt issuance costs	—	(981)	—
Cash dividends paid	(11,835)	(10,181)	(10,111)
Payment of employee tax withholdings on equity transactions	(4,552)	(2,234)	(2,392)
Acquisition earnout payments	(1,853)	(3,592)	(4,557)
Net cash used in financing activities	(18,240)	(16,988)	(17,060)
Effect of exchange rates fluctuations on cash, cash equivalents and restricted cash	367	(5,565)	7,933
Net increase (decrease) in cash, cash equivalents and restricted cash	(8,543)	72,100	42,592
Cash, cash equivalents and restricted cash at beginning of period	280,262	208,162	165,570
Cash, cash equivalents and restricted cash at end of period	$ 271,719	$ 280,262	$ 208,162
Supplemental disclosures of cash flow information			
Cash paid for			
Income taxes	$ 27,338	$ 22,616	$ 14,814
Interest	$ —	$ 67	$ 193

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

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

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	**19,586**	**$ 196**	**1,008**	**$ (32,915)**	**$ 229,957**	**$ 58,030**	**$ 3,322**	**$ 258,590**
Net loss	—	—	—	—	—	(48,635)	—	(48,635)
Other comprehensive income, net of tax	—	—	—	—	—	—	9,993	9,993
Treasury and common stock transactions:								
Stock-based compensation	—	—	—	—	4,935	—	—	4,935
Vesting of equity, net of tax withholdings	—	—	(188)	6,311	(8,716)	—	—	(2,405)
Re-issuance of treasury stock	—	—	(15)	508	(170)	—	—	338
Cash dividends declared ($0.52 per share)	—	—	—	—	—	(9,762)	—	(9,762)
Dividend equivalents on restricted stock units	—	—	—	—	—	(349)	—	(349)
Balance at December 31, 2017	**19,586**	**196**	**805**	**(26,096)**	**226,006**	**(716)**	**13,315**	**212,705**
Net income	—	—	—	—	—	49,295	—	49,295
Adoption of accounting standards	—	—	—	—	—	15,043	(6,089)	8,954
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3,164)	(3,164)
Treasury and common stock transactions:								
Stock-based compensation	—	—	—	—	8,947	—	—	8,947
Vesting of equity, net of tax withholdings	—	—	(167)	5,604	(7,837)	—	—	(2,233)
Re-issuance of treasury stock	—	—	(6)	194	31	—	—	225
Cash dividends declared ($0.39 per share)	—	—	—	—	—	(7,389)	—	(7,389)
Dividend equivalents on restricted stock units	—	—	—	—	—	(184)	—	(184)
Balance at December 31, 2018	**19,586**	**196**	**632**	**(20,298)**	**227,147**	**56,049**	**4,062**	**267,156**
Net income	—	—	—	—	—	46,869	—	46,869
Other comprehensive loss, net of tax	—	—	—	—	—	—	(238)	(238)
Treasury and common stock transactions:								
Stock-based compensation	—	—	—	—	10,298	—	—	10,298
Vesting of equity, net of tax withholdings	—	—	(163)	5,154	(9,706)	—	—	(4,552)
Re-issuance of treasury stock	—	—	(49)	349	1,068	—	—	1,417
Cash dividends declared ($0.60 per share)	—	—	—	—	—	(11,461)	—	(11,461)
Dividend equivalents on restricted stock units	—	—	—	—	—	(374)	—	(374)
Balance at December 31, 2019	**19,586**	**$ 196**	**420**	**$ (14,795)**	**$ 228,807**	**$ 91,083**	**$ 3,824**	**$ 309,115**

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

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

1. Basis of Presentation

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

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Marketable Securities

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

Concentration of Risk

The Company is potentially exposed to concentrations of risk associated with its accounts receivable. However, this risk is limited due to the Company's large number of clients and their dispersion across many different industries and geographies. At December 31, 2019 and 2018, the Company had no significant concentrations of risk.

Accounts Receivable

The Company's accounts receivable consists of trade receivables. The allowance for doubtful accounts is developed based upon several factors including the age of the Company's accounts receivable, historical write-off experience and specific account analysis. These factors may change over time, impacting the allowance level.

Fair Value of Financial Instruments

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

Property and Equipment

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

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

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

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

Long-lived Assets

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

Investments

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

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

Goodwill and Other Intangible Assets

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. Other intangible assets include client relationships, trade names, and employee non-compete agreements. The Company performs assessments of the carrying value of goodwill at least annually and of its goodwill and other intangible assets whenever events occur or circumstances indicate that a carrying amount of these assets may not be recoverable. These circumstances include a significant change in business climate, attrition of key personnel, changes in financial condition or results of operations, a prolonged decline in the Company's stock price and market capitalization, competition, and other factors.

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

The other intangible asset impairment review compares the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge, equal to the amount by which the carrying amount of the asset exceeds the fair value, is recognized.

Other intangible assets acquired are amortized either using the straight-line method over their estimated useful lives or based on the projected cash flow associated with the respective intangible assets.

Restructuring Charges

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

Revenue Recognition

See Note 3, *Revenue*.

Reimbursements

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

Salaries and Benefits

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

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

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

Income Taxes

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

Earnings per Common Share

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

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

	December 31,		
	2019	2018	2017
Net income (loss)	$ 46,869	$ 49,295	$ (48,635)
Weighted average shares outstanding:			
Basic	19,103	18,917	18,735
Effect of dilutive securities:			
Restricted stock units	285	406	—
Performance stock units	163	209	—
Diluted	19,551	19,532	18,735
Basic earnings (loss) per share	$ 2.45	$ 2.61	$ (2.60)
Diluted earnings (loss) per share	$ 2.40	$ 2.52	$ (2.60)

Weighted average restricted stock units and performance stock units outstanding that could be converted into approximately 327,000 and 80,000 common shares, respectively, for the year ended December 31, 2017, were not included in the computation of diluted loss per share because the effects would be anti-dilutive.

Translation of Foreign Currencies

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

Restricted Cash

Historically, the Company had lease agreements and business licenses with terms that required the Company to restrict cash through the termination dates of the agreements. Current and non-current restricted cash is included in Other current assets and Other non-current assets, respectively, in the Condensed Consolidated Balance Sheets.

The following table provides a reconciliation of the cash and cash equivalents between the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statement of Cash Flows as of December 31, 2019, 2018 and 2017:

	December 31,		
	2019	2018	2017
Cash and cash equivalents	$ 271,719	$ 279,906	$ 207,534
Restricted cash included within other current assets	—	108	526
Restricted cash included within other non-current assets	—	248	102
Total cash, cash equivalents and restricted cash	$ 271,719	$ 280,262	$ 208,162

Recently Issued Financial Accounting Standards

In December 2019, the Financial Accounting Standards Board ("FASB"), issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes. The guidance simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Accounting Standards Codification ("ASC") 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. The guidance amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The standard is effective for fiscal years beginning after December 15, 2019. The Company will adopt this guidance in its fiscal year beginning January 1, 2020. The adoption of this guidance is not anticipated to have a material impact on our consolidated financial statements.

Recently Adopted Financial Accounting Standards

On January 1, 2019, the Company adopted ASU No. 2016-02, Leases, ASU No. 2018-10, Codification Improvements to Topic 842 (Leases) and ASU No. 2018-11, Targeted Improvements to Topic 842 (Leases). The guidance is intended to increase transparency and comparability among companies for leasing transactions, including a requirement for companies that lease assets to recognize on their balance sheets the assets and liabilities for the rights and obligations created by those leases. The guidance also provides for disclosures that allow the users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the guidance on January 1, 2019 using the modified retrospective method without restatement of comparative periods. As such, periods prior to the date of adoption are presented in accordance with ASC 840 - Leases. The Company utilized the available practical expedient that allowed for the Company to not reassess whether existing contracts contain a lease under the new definition of a lease, lease classification for existing leases and whether previously capitalized initial direct costs would qualify for capitalization under the new guidance.

The adoption of this guidance had a material impact on the Condensed Consolidated Balance Sheet as of December 31, 2019 due to the recognition of equal right-of-use assets and lease liabilities for the Company's portfolio of operating leases. The right-of-use asset balance was then adjusted by the reclassification of pre-existing prepaid and accrued rent balances from other line items within the Condensed Consolidated Balance Sheet. The adoption had an immaterial impact on the Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Statement of Cash Flows for the year ended December 31, 2019. The adoption had no impact on the Condensed Consolidated Statement of Changes in Stockholders' Equity for the year ended December 31, 2019.

Additional information and disclosures required by the new standard are contained in Note 6, *Leases*.

On January 1, 2019, the Company adopted ASU No. 2018-02, Income Statement - Reporting Comprehensive Income, which is intended to improve the usefulness of information reported as a result of the Tax Cuts and Jobs Act. The new guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

3. Revenue

Executive Search

Revenue is recognized as we satisfy our performance obligations by transferring a good or service to a client. Generally, each of our executive search contracts contain one performance obligation which is the process of identifying potentially qualified candidates for a specific client position. In most contracts, the transaction price includes both fixed and variable consideration. Fixed compensation is comprised of a retainer, equal to approximately one-third of the estimated first year compensation for the position to be filled, and indirect expenses, equal to a specified percentage of the retainer, as defined in the contract. The Company generally bills its clients for its 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.

As required under ASU No. 2014-09, the Company now 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 that 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 our executive search engagement performance obligation is recognized over time as our 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 our obligations under the executive search contract. Revenue is generally recognized over a period of approximately six months.

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

Heidrick Consulting

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

The Company enters into enterprise agreements with clients to provide a license for online access, via the Company's Culture Connect platform, to training and other proprietary material related to the Company's culture shaping programs. The consideration the Company expects to receive under the terms of an enterprise agreement is comprised of a single fixed fee. Our enterprise agreements contain multiple performance obligations, the delivery of materials via Culture Connect and material rights related to options to renew enterprise agreements at a significant discount. 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 revenue represents contract assets from revenue recognized over time in excess of the amount billed to the client and the amount billed to the client is solely dependent upon the passage of time. This amount includes revenue recognized in excess of billed executive search retainers and Heidrick Consulting fees.

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

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

The following table outlines the changes in our contract asset and liability balances at the end of and during the period:

	December 31, 2019	December 31, 2018	Variance
Contract assets			
Unbilled receivables	$ 7,585	$ 8,684	$ (1,099)
Contract assets	14,672	15,291	(619)
Total contract assets	22,257	23,975	(1,718)
Contract liabilities			
Deferred revenue	$ 41,267	$ 40,673	$ 594

During the year ended December 31, 2019, we recognized revenue of $26.6 million that was included in the contract liabilities balance at the beginning of the period. The amount of revenue recognized during the year ended December 31, 2019 from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $19.4 million. During the year ended December 31, 2018, we recognized revenue of $28.0 million that was included in the contract liabilities balance at the beginning of the period. The amount of revenue recognized during the year ended December 31, 2018, from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $21.8 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. Allowance for Doubtful Accounts

The activity of the allowance for doubtful accounts for the years ended:

	December 31,		
	2019	2018	2017
Balance at January 1,	$ 3,502	$ 2,534	$ 2,575
Provision charged to income	5,900	3,790	963
Write-offs	(4,270)	(2,708)	(1,134)
Foreign currency translation	8	(114)	130
Balance at December 31,	$ 5,140	$ 3,502	$ 2,534

5. Property and Equipment, net

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

	December 31,	
	2019	2018
Leasehold improvements	$ 47,269	$ 48,455
Office furniture, fixtures and equipment	17,740	17,919
Computer equipment and software	27,531	27,063
Property and equipment, gross	92,540	93,437
Accumulated depreciation	(63,890)	(59,566)
Property and equipment, net	$ 28,650	$ 33,871

Depreciation expense for the years ended December 31, 2019, 2018 and 2017, was $9.5 million, $11.0 million and $10.4 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 Company's lease term.

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

As of December 31, 2019, office leases have remaining lease terms that range from less than one year to 10.4 years, some of which also include options to extend or terminate the lease. Most office leases contain both fixed and variable lease payments. Variable lease costs consist primarily of rent escalations based on an established index or rate and taxes, insurance, and common area or other maintenance costs, which are paid based on actual costs incurred by the lessor. The Company has elected to utilize the available practical expedient to not separate lease and non-lease components for office leases.

As of December 31, 2019, equipment leases, which are comprised of vehicle and office equipment leases, have remaining terms that range from less than one year to 4.8 years, some of which also include options to extend or terminate the lease. The Company's equipment leases do not contain variable lease payments. The Company separates the lease and non-lease components for its equipment leases. Equipment leases do not comprise a significant portion of the Company's lease portfolio.

Lease cost components included within *General and Administrative Expenses* in our Condensed Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2019, were as follows:

Operating lease cost	$ 24,928
Variable lease cost	7,932
Total lease cost	$ 32,860

Rent expense, as previously defined under ASC 840, which includes the base rent, maintenance costs, operating expenses and real estate taxes, and the costs of equipment leases for the years ended December 31, 2018, and 2017, was $33.2 million and $32.2 million, respectively.

Supplemental cash flow information related to the Company's operating leases for the year ended December 31, 2019, was as follows:

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

The weighted average remaining lease term and weighted average discount rate for our operating leases as of December 31, 2019 was as follows:

Weighted Average Remaining Lease Term	
Operating leases	4.7 years
Weighted Average Discount Rate	
Operating leases	3.9%

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

		Operating Lease Maturity
2020	$	30,246
2021		27,229
2022		23,577
2023		20,555
2024		9,981
Thereafter		8,983
Total lease payments		120,571
Less: Interest		(10,228)
Present value of lease liabilities	$	110,343

The minimum future operating lease payments due in each of the next five years as recorded under ASC 840 at December 2018, were as follows:

2019	$	34,456
2020		31,808
2021		27,381
2022		23,445
2023		20,087
Thereafter		14,448
Total	$	151,625

The Company has an obligation at the end of the lease term to return certain offices to the landlord in their original condition, which is recorded at fair value at the time the liability is incurred. The Company had $3.0 million and $2.7 million of asset retirement obligations as of December 31, 2019 and 2018, respectively, which are recorded within *Other current liabilities* and *Other non-current liabilities* in the Consolidated Balance Sheets.

7. Financial Instruments and Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

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

Cash, Cash Equivalents and Marketable Securities

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

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

	Fair Value				Balance Sheet Classification	
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Balance at December 31, 2019						
Cash					$ 177,493	$ —
Level 1:						
Money market funds				15,661	15,661	—
U.S. Treasury securities	139,705	13	—	139,718	78,565	61,153
Total Level 1	155,366	13	—	155,379	94,226	61,153
Total	$ 155,366	$ 13	$ —	$ 155,379	$ 271,719	$ 61,153

	Fair Value				Balance Sheet Classification	
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Balance at December 31, 2018						
Cash					$ 279,829	$ —
Level 1:						
Money market funds				77	77	—
Total	$ —	$ —	$ —	$ 77	$ 279,906	$ —

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 $17.2 million and $14.6 million as of December 31, 2019 and December 31, 2018, respectively.

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

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

		Balance Sheet Classification				
	Fair Value	Other Current Assets	Assets Designated for Retirement and Pension Plans	Investments	Other Current Liabilities	Retirement and Pension Plans
Balance at December 31, 2019						
Level 1:						
U.S. non-qualified deferred compensation plan	$ 25,409	$ —	$ —	$ 25,409	$ —	$ —
Level 2:						
Retirement and pension plan assets	15,296	1,318	13,978	—	—	—
Pension benefit obligation	(20,918)	—	—	—	(1,318)	(19,600)
Total Level 2	(5,622)	1,318	13,978	—	(1,318)	(19,600)
Total	$ 19,787	$ 1,318	$ 13,978	$ 25,409	$ (1,318)	$ (19,600)

		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, 2018						
Level 1:						
U.S. non-qualified deferred compensation plan	$ 19,442	$ —	$ —	$ 19,442	$ —	$ —
Level 2:						
Retirement and pension plan assets	16,384	1,349	15,035	—	—	—
Pension benefit obligation	(20,908)	—	—	—	(1,349)	(19,559)
Total Level 2	(4,524)	1,349	15,035	—	(1,349)	(19,559)
Total	$ 14,918	$ 1,349	$ 15,035	$ 19,442	$ (1,349)	$ (19,559)

Contingent Consideration

The former owners of the entities acquired by the Company are eligible to receive additional cash consideration based on the attainment of certain operating metrics in the periods subsequent to acquisition. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. The Company determines the fair value of contingent consideration using discounted cash flow models. As of December 31, 2019, all contingent consideration accruals are recorded within *Other current liabilities* on the Consolidated Balance Sheets.

The following table provides a reconciliation of the beginning and ending balance of Level 3 liabilities for the year ended December 31, 2019:

	Acquisition Earnout Accruals
Balance at December 31, 2018	$ (6,627)
Earnout accretion	(668)
Earnout payments	3,009
Earnout adjustment	(1,062)
Foreign currency translation	70
Balance at December 31, 2019	$ (5,278)

8. Acquisitions

2Get Holdings Limited

In September 2019, the Company acquired 2GET Holdings Limited ("2GET"), a Brazil-based provider of executive search services, and its wholly owned subsidiaries. Under the terms of the purchase agreement, the Company paid $5.2 million of initial consideration for substantially all of the outstanding equity of 2GET. The acquisition was funded with $4.1 million of existing cash at closing and $1.1 million of the Company's common stock transferred in October 2019. The common stock transferred as consideration was reissued from the Company's treasury stock. The former owners of 2GET are eligible to receive additional cash consideration, which the Company estimates to be between $5.0 million and $15.0 million, based on the achievement of certain revenue and EBITDA milestones for the period from acquisition through 2023. The additional consideration is linked to future service with the Company and is accounted for as compensation expense. The Company recorded $0.7 million of intangible assets, consisting of the trade name of $0.4 million and customer relationships of $0.3 million, $3.8 million of goodwill, and $0.7 million of net working capital. The goodwill is primarily related to the acquired workforce and strategic fit. The Company will not be able to deduct the recorded goodwill for tax purposes.

Amrop A/S

In January 2018, the Company acquired Amrop A/S ("Amrop"), a Denmark-based provider of executive search services for 24.3 million Danish Kroner (equivalent to $3.9 million on the acquisition date) of initial consideration which was funded from existing cash. The former owners of Amrop are expected to receive additional cash consideration based on fee revenue generated during the two-year period following the completion of the acquisition. When estimating the value of future cash consideration, the Company has accrued $5.3 million as of December 31, 2019. The Company recorded $1.7 million of intangible assets related to customer relationships and $5.5 million of goodwill. The goodwill is primarily related to the acquired workforce and strategic fit.

9. Goodwill and Other Intangible Assets

Goodwill

The Company's goodwill by segment is as follows:

	December 31, 2019	December 31, 2018
Executive Search		
Americas	$ 92,497	$ 88,410
Europe	25,579	24,924
Asia Pacific	8,755	8,758
Total Executive Search	126,831	122,092
Heidrick Consulting	36,257	36,257
Goodwill, gross	163,088	158,349
Accumulated impairment	(36,257)	(36,257)
Goodwill, net	$ 126,831	$ 122,092

Changes in the carrying amount of goodwill by segment for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Executive Search				
	Americas	**Europe**	**Asia Pacific**	**Heidrick Consulting**	**Total**
Balance as of December 31, 2016					
Goodwill	$ 88,101	$ 19,092	$ 8,893	$ 35,758	$ 151,844
Accumulated impairment	—	—	—	—	—
Goodwill, net as of December 31, 2016	88,101	19,092	8,893	35,758	151,844
Philosophy IB acquisition	357	—	—	7	364
Foreign currency translation	232	1,808	409	492	2,941
Impairment	—	—	—	(36,257)	(36,257)
Goodwill, net as of December 31, 2017	88,690	20,900	9,302	—	118,892
Amrop acquisition	—	5,478	—	—	5,478
Foreign currency translation	(280)	(1,454)	(544)	—	(2,278)
Goodwill, net as of December 31, 2018	88,410	24,924	8,758	—	122,092
2GET acquisition	3,793	—	—	—	3,793
Foreign currency translation	294	655	(3)	—	946
Goodwill, net as of December 31, 2019	$ 92,497	$ 25,579	$ 8,755	$ —	$ 126,831

In September 2019, the Company acquired 2GET and included $3.8 million of goodwill related to the acquisition in the Americas segment.

During the 2019 fourth quarter, the Company conducted its annual goodwill impairment evaluation as of October 31, 2019 in accordance with ASU No. 2017-04, Intangibles - Goodwill and Other. The goodwill impairment test is completed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying value of the reporting unit exceeds its fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit.

The impairment test is considered for each of the Company’s reporting units that has goodwill as defined in the accounting standard for goodwill and intangible assets. The Company operates four reporting units: Americas, Europe (which includes Africa), Asia Pacific (which includes the Middle East) and Heidrick Consulting. As of October 31, 2019, only the Americas, Europe and Asia Pacific reporting units had recorded goodwill.

During the impairment evaluation process, the Company used a discounted cash flow methodology to estimate the fair value of each of its reporting units with goodwill. 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; and (4) other factors.

Based on the results of the impairment analysis, the fair values of the Americas, Europe, and Asia Pacific reporting units exceeded their carrying values by 329%, 21% and 30%, respectively.

During the twelve months ended December 31, 2017, the Company determined that the goodwill within the former Culture Shaping and Leadership Consulting reporting units was impaired, which resulted in impairment charges of $29.3 million and $6.9 million, respectively, to write off all of the goodwill associated with each of the reporting units. The impairment charges are recorded within *Impairment charges* in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the twelve months ended December 31, 2017. The impairments were non-cash in nature and did not affect our current liquidity, cash flows, borrowing capability or operations, nor did they impact the debt covenants under our credit agreement. Effective January 1, 2018, the Company completed its integration of the Culture Shaping and Leadership Consulting reporting units into the newly created Heidrick Consulting reporting unit.

Other Intangible Assets, net

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

	December 31, 2019	December 31, 2018
Executive Search		
Americas	$ 557	$ 52
Europe	1,314	2,086
Asia Pacific	64	78
Total Executive Search	1,935	2,216
Heidrick Consulting	—	—
Total Other Intangible Assets, Net	$ 1,935	$ 2,216

In September 2019, the Company acquired 2GET and recorded customer relationships and trade name intangible assets in the Americas segment of $0.3 million and $0.4 million, respectively.

During the twelve months ended December 31, 2017, the Company determined that the intangible assets within the Culture Shaping and Leadership Consulting reporting units were impaired, which resulted in impairment charges of $9.9 million and $4.6 million, respectively, to write off all intangible assets associated with each reporting unit. The impairment charges are recorded within Impairment charges in the Condensed Consolidated Statement of Comprehensive Income (Loss) for the twelve months ended December 31, 2017. The impairment charges were non-cash in nature and did not affect current liquidity, cash flows, borrowing capability or operations, nor did they impact the debt covenants under our credit agreement.

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

		December 31, 2019			December 31, 2018		
	Weighted Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	6.6	$ 16,302	$ (14,683)	$ 1,619	$ 15,910	$ (13,694)	$ 2,216
Trade name	5.0	362	(46)	316	—	—	—
Total intangible assets	6.3	$ 16,664	$ (14,729)	$ 1,935	$ 15,910	$ (13,694)	$ 2,216

Intangible asset amortization expense for the years ended December 31, 2019, 2018 and 2017, was $0.9 million, $1.5 million and $4.4 million, respectively.

The Company's estimated future amortization expense related to intangible assets as of December 31, 2019 for the years ended December 31st is as follows:

2020	$ 798
2021	507
2022	319
2023	188
2024	76
Thereafter	47
Total	$ 1,935

10. Other Current Assets and Non-Current Liabilities

The components of other current assets are as follows:

	December 31, 2019	December 31, 2018
Contract assets	$ 22,257	$ 23,975
Other	5,591	5,623
Total other current assets	$ 27,848	$ 29,598

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

	December 31, 2019	December 31, 2018
Premise related costs	$ 2,392	$ 15,473
Other	2,242	1,950
Total other non-current liabilities	$ 4,634	$ 17,423

11. Line of Credit

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

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

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

Before October 26, 2018, the Company was party to its Restated Credit Agreement. The Restated Credit Agreement provided a single senior unsecured revolving line of credit with an aggregate commitment of up to $100 million, which includes a sublimit of $25 million for letters of credit, and a $50 million expansion feature (the "Replacement Facility"). Borrowings under the Restated Credit Agreement bore interest at the Company's election of the existing Alternate Base Rate (as defined in the Restated Credit Agreement) or Adjusted LIBOR Rate (as defined in the Restated Credit Agreement) plus a spread as determined by the Company's leverage ratio.

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

During the three months ended March 31, 2017, the Company borrowed $40 million under the Restated Credit Agreement and elected the Adjusted LIBOR rate. The Company subsequently repaid $15 million during the three months ended March 31, 2017 and $25 million during the three months ended June 30, 2017.

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

12. Employee Benefit Plans

Qualified Retirement Plan

The Company has a defined contribution retirement plan (the "Plan") for all eligible employees in the United States. Eligible employees may begin participating in the Plan upon their hire date. The Plan contains a 401(k) provision, which provides for employee pre-tax and/or after-tax contributions, from 1% to 50% of their eligible compensation up to a combined maximum permitted by law. The Company matched employee contributions on a dollar-for-dollar basis per participant up to the greater of $6,000, or 6.0%, of eligible compensation for the years ended December 31, 2019, 2018 and 2017. Employees are eligible for the Company match immediately provided that they are working on the last day of the Plan year in which the match is made. The Plan also provides for employees who retire, die or become disabled during the Plan year to receive the Company match for that Plan year. The Plan provides that forfeitures will be used to reduce the Company's contributions. Forfeitures are created annually by participants who terminate employment before becoming entitled to the Company's matching contribution under the Plan. The Company also has the option of making discretionary contributions. There were no discretionary contributions made for the years ended December 31, 2019, 2018 and 2017. The expense that the Company incurred for matching employee contributions for the years ended December 31, 2019, 2018 and 2017, was $6.3 million, $5.7 million and $5.6 million, respectively.

Deferred Compensation Plans

The Company has a deferred compensation plan for certain U.S. employees (the "U.S. Plan") that became effective on January 1, 2006. The U.S. Plan allows participants to defer up to 25% of their base compensation and up to the lesser of $500,000 or 25% of their eligible bonus compensation into several different investment vehicles. These deferrals are immediately vested and are not subject to a risk of forfeiture. In 2019 and 2018, all deferrals in the U.S. Plan were funded. The compensation deferred in the U.S. Plan was $23.8 million and $18.3 million at December 31, 2019 and 2018, respectively. The assets of the U.S. Plan are included in *Investments* and the liabilities of the U.S. Plan are included in *Retirement and pension plans* in the Consolidated Balance Sheets as of December 31, 2019 and 2018.

The Company has a Non-Employee Directors Voluntary Deferred Compensation Plan whereby non-employee members of the Company's Board of Directors may elect to defer up to 100% of the cash component of their directors' fees into several different investment vehicles. As of December 31, 2019 and 2018, the total amounts deferred under the plan were $1.6 million and $1.1 million, respectively, all of which were funded. The assets of the plan are included in *Investments* and the liabilities of the plan are included in *Retirement and pension plans* in the Consolidated Balance Sheets at December 31, 2019 and 2018.

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

13. Pension Plan and Life Insurance Contract

The Company maintains a pension plan for certain current and former employees in Germany. The pensions are individually fixed Euro amounts that vary depending on the function and the eligible years of service of the employee.

	2019	2018
Benefit obligation at January 1,	$ 20,908	$ 23,886
Interest cost	338	373
Actuarial (gain) loss	1,506	(886)
Benefits paid	(1,375)	(1,450)
Cumulative translation adjustment	(459)	(1,015)
Benefit obligation at December 31,	$ 20,918	$ 20,908

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

	December 31,	
	2019	2018
Current liabilities	$ 1,318	$ 1,349
Noncurrent liabilities	19,600	19,559
Total	$ 20,918	$ 20,908

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

	December 31,		
	2019	2018	2017
Net period benefit cost:			
Interest cost	$ 338	$ 373	$ 362
Amortization of net loss	35	92	111
Net periodic benefit cost	$ 373	$ 465	$ 473
Weighted average assumptions			
Discount rate (1)	1.71%	1.64%	1.49%
Rate of compensation increase	—%	—%	—%

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

	December 31,		
	2019	2018	2017
Discount rate (1)	1.03%	1.71%	1.64%
Rate of compensation increase	—%	—%	—%
Measurement Date	12/31/2019	12/31/2018	12/31/2017

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

The amounts in *Accumulated other comprehensive income* as of December 31, 2019 and 2018, that had not yet been recognized as components of net periodic benefit cost were $4.0 million and $2.6 million, respectively.

The Company's investment strategy is to support its pension obligations through reinsurance contracts. The BaFin—German Federal Financial Supervisory Authority—supervises the insurance companies and the reinsurance contracts. The BaFin requires each reinsurance contract to guarantee a fixed minimum return. The Company's pension benefits are fully reinsured by group insurance contracts with ERGO Lebensversicherung AG, and the group insurance contracts are measured in accordance with BaFin guidelines (including mortality tables and discount rates) which are considered Level 2 inputs (See Note 7, *Financial Instruments and Fair Value*). The fair value at December 31, 2019 and 2018, was $15.3 million and $16.4 million, respectively.

Since the pension assets are not segregated in trust from the Company's other assets, the pension assets are not shown as an offset against the pension liabilities in the Consolidated Balance Sheets. These assets are included in the Consolidated Balance Sheets at December 31, 2019 and 2018, as a component of *Other current assets* and *Assets designated for retirement and pension plans*.

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

2020	$ 1,318
2021	1,305
2022	1,288
2023	1,269
2024	1,245
2025 through 2029	5,713

14. Stock-Based Compensation

The Company's Second Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (the "2012 Program') provides for grants of stock options, stock appreciation rights and other stock-based awards that are valued based upon the grant date fair value of shares. These awards may be granted to directors, selected employees and independent contractors.

As of December 31, 2019, 2,551,441 shares have been issued under the 2012 Program and 981,682 shares remain available for future awards, which includes 683,123 forfeited shares. The 2012 Program provides that no awards can be granted after May 24, 2028.

In September 2017, the Company entered into an agreement with its former Chief Executive Officer pursuant to which Mr. Wolstencroft voluntarily agreed, with the concurrence of the Board of Directors, to forfeit 100 percent of his 2017 restricted stock unit and performance stock unit grants totaling 39,352 restricted stock units and 39,352 performance stock units.

Mr. Wolstencroft vested in 41,667 restricted stock units, or 100 percent of his 2014 sign-on restricted stock unit grant, without proration. With respect to his 2015 and 2016 restricted stock unit and performance stock unit grants, Mr. Wolstencroft vested an agreed upon pro-rata portion of the tranches scheduled to vest in 2017 through 2019 (and with the performance goals for performance stock units deemed to have been achieved at target level performance) totaling 9,948 restricted stock units and 50,007 performance stock units, and he agreed to forfeit the remaining portions of such 2015 and 2016 restricted stock unit and performance stock unit awards totaling 28,903 restricted stock units and 26,246 performance stock units.

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

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

	December 31,		
	2019	**2018**	**2017**
Salaries and employee benefits (1)	$ 12,857	$ 9,548	$ 4,597
General and administrative expenses	460	562	338
Income tax benefit related to stock-based compensation included in net income	3,529	2,674	1,948

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

Restricted Stock Units

Restricted stock units are generally subject to ratable vesting over a three-year period. Beginning in 2018, a portion of the Company's restricted stock units are subject to ratable vesting over a four-year period. Compensation expense related to service-based restricted stock units is recognized on a straight-line basis over the vesting period.

Restricted stock unit activity for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Number of Restricted Stock Units	**Weighted-Average Grant-date Fair Value**
Outstanding on December 31, 2017	491,154	$ 21.92
Granted	297,664	34.64
Vested and converted to common stock	(199,550)	21.66
Forfeited	(76,822)	25.76
Outstanding on December 31, 2018	512,446	28.83
Granted	270,488	33.55
Vested and converted to common stock	(175,792)	24.19
Forfeited	(8,154)	34.29
Outstanding on December 31, 2019	598,988	$ 32.25

As of December 31, 2019, there was $11.4 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.5 years.

Performance Stock Units

The Company grants performance stock units to certain of its senior executives. The performance stock units are generally subject to a cliff vesting at the end of a three-year period. The vesting will vary between 0% - 200% based on the attainment of operating income goals over the three-year vesting period. The performance stock units are expensed on a straight-line basis over the three-year vesting period.

During the year ended December 31, 2019, performance stock units were granted to certain employees of the Company, subject to a cliff vesting period of three years and certain other performance conditions. Half of award is based on the achievement of certain operating margin thresholds and half of the award is based on the Company's total shareholder return, relative to a peer group. The fair value of the awards based on total shareholder return was determined using the Monte-Carlo simulation model. A Monte Carlo simulation model uses stock price volatility and other variables to estimate the probability of satisfying the performance conditions and the resulting fair value of the award.

Performance share unit activity for the years ended December 31, 2019, 2018 and 2017 was as follows:

	Number of Performance Stock Units	Weighted-Average Grant-date Fair Value
Outstanding on December 31, 2017	185,891	$ 23.82
Granted	102,138	25.81
Vested and converted to common stock	(43,361)	23.64
Forfeited	(47,551)	23.87
Outstanding on December 31, 2018	197,117	24.88
Granted	81,661	35.58
Vested and converted to common stock	(99,219)	25.04
Forfeited	—	—
Outstanding on December 31, 2019	179,559	$ 32.63

As of December 31, 2019, there was $3.4 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 1.8 years.

Phantom Stock Units

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

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

The Company recorded phantom stock-based compensation expense of $3.0 million and $1.2 million for the years ended December 31, 2019 and December 31, 2018, respectively.

Phantom stock unit activity for the years ended December 31, 2019, 2018, and 2017 was as follows:

	Number of Phantom Stock Units
Outstanding on December 31, 2017	—
Granted	111,673
Vested	—
Forfeited	—
Outstanding on December 31, 2018	111,673
Granted	154,387
Vested	—
Forfeited	—
Outstanding on December 31, 2019	266,060

As of December 31, 2019, there was $5.2 million of pre-tax unrecognized compensation expense related to unvested phantom stock units, which is expected to be recognized over a weighted average of 3.3 years.

15. Restructuring

Restructuring Charges

During the year ended December 31, 2019, the Company recorded restructuring charges of $4.1 million related to the closing of the Company's legacy Brazil operations due to the acquisition of 2GET (see Note 8, *Acquisitions*). The restructuring charges primarily consist of employee-related costs for the Company's legacy Brazil operations. The America's incurred $4.1 million in restructuring charges, while Global Operations Support incurred less than $0.1 million in restructuring charges.

In 2017, the Company recorded restructuring charges of $15.7 million in connection with initiatives to reduce overall costs and improve operational efficiencies. The primary components of the restructuring included: the elimination of two executive officer roles for a flatter leadership structure, a workforce reduction as the firm aligned its support resources to better meet operational needs and recognize synergies with the combination of Leadership Consulting and Culture Shaping, a reduction of the firm’s real estate expenses and support costs by consolidating or closing three of its locations across its global footprint and the acceleration of future expenses under certain contractual obligations.

These charges consisted of $13.1 million of employee-related costs, including severance associated with reductions in our workforce of 251 employees globally, $2.3 million of other professional and consulting fees and $0.3 million of expenses associated with closing three office locations.

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

	December 31,		
	2019	**2018**	**2017**
Executive Search			
Americas	$ 4,102	$ —	$ 784
Europe	—	—	3,993
Asia Pacific	—	—	2,046
Total Executive Search	4,102	—	6,823
Heidrick Consulting	—	—	3,393
Global Operations Support	28	—	5,450
Total restructuring	$ 4,130	$ —	$ 15,666

Changes in the restructuring accrual for the years ended December 31, 2019, 2018, and 2017 were as follows:

	Employee Related	**Office Related**	**Other**	**Total**
Accrual balance at December 31, 2016	$ —	$ —	$ —	$ —
Restructuring charges	13,065	308	2,293	15,666
Cash payments	(1,199)	(5)	(1,282)	(2,486)
Non-cash write-offs	—	(155)	—	(155)
Accrual balance at December 31, 2017	11,866	148	1,011	13,025
Cash payments	(8,689)	(248)	(993)	(9,930)
Non-cash write-offs	—	195	—	195
Other	(1,843)	(95)	5	(1,933)
Exchange rate fluctuations	(65)	—	(6)	(71)
Accrual balance at December 31, 2018	1,269	—	17	1,286
Restructuring charges	4,130	—	—	4,130
Cash payments	(2,213)	—	—	(2,213)
Non-cash write-offs	—	—	(17)	(17)
Other	4	—	—	4
Exchange rate fluctuations	55	—	—	55
Accrual balance at December 31, 2019	$ 3,245	$ —	$ —	$ 3,245

16. Income Taxes

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

	December 31,		
	2019	2018	2017
United States	$ 53,461	$ 47,191	$ (28,577)
Foreign	15,828	23,301	(841)
Income (loss) before income taxes	$ 69,289	$ 70,492	$ (29,418)

The provision for (benefit from) income taxes are as follows:

	December 31,		
	2019	2018	2017
Current			
Federal	$ 11,311	$ 12,311	$ 10,107
State and local	4,422	4,843	2,372
Foreign	4,423	6,907	8,257
Current provision for income taxes	20,156	24,061	20,736
Deferred			
Federal	2,031	6,403	5,642
State and local	698	(354)	(2,951)
Foreign	(465)	(8,913)	(4,210)
Deferred provision (benefit) for income taxes	2,264	(2,864)	(1,519)
Total provision for income taxes	$ 22,420	$ 21,197	$ 19,217

A reconciliation of the provision for income taxes to income taxes at the statutory U.S. federal income tax rate of 21% for the years ended December 31, 2019 and 2018, and 35% for the year ended December 31, 2017 is as follows:

	December 31,		
	2019	2018	2017
Income tax provision (benefit) at the statutory U.S. federal rate	$ 14,551	$ 14,803	$ (10,296)
State income tax provision (benefit), net of federal tax benefit	3,509	3,242	(593)
Nondeductible expenses, net	1,570	1,651	3,282
Foreign taxes (includes rate differential and changes in foreign valuation allowance)	698	(35)	5,465
Release of valuation allowance	(117)	(43)	(3,200)
Additional U.S. tax on foreign operations	2,550	1,628	—
Current/deferred true-up	(157)	(1,199)	567
Tax reform	—	—	23,732
Other, net	(184)	1,150	260
Total provision for income taxes	$ 22,420	$ 21,197	$ 19,217

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

	December 31,	
	2019	2018
Deferred tax assets attributable to:		
Foreign net operating loss carryforwards	$ 17,940	$ 18,259
Accrued compensation and employee benefits	14,506	15,442
Deferred compensation	17,110	15,587
Foreign tax credit carryforwards	6,493	8,163
Accrued rent	2,655	3,096
Other accrued expenses	5,882	6,290
Deferred tax assets, before valuation allowance	64,586	66,837
Valuation allowance	(24,200)	(26,460)
Deferred tax assets, after valuation allowance	40,386	40,377
Deferred tax liabilities attributable to:		
Goodwill	5,440	2,203
Taxes provided on unremitted earnings	—	765
Depreciation on property and equipment	1,652	2,040
Other	533	686
Deferred tax liabilities	7,625	5,694
Net deferred tax assets	$ 32,761	$ 34,683

The recognition of deferred tax assets is based on management’s belief that it is more likely than not that the tax benefits associated with temporary differences, net operating loss carryforwards and tax credits will be utilized. The Company assesses the recoverability of the deferred tax assets on an ongoing basis. In making this assessment, the Company considers all positive and negative evidence, and all potential sources of taxable income including scheduled reversals of deferred tax liabilities, tax-planning strategies, projected future taxable income and recent financial performance. Certain of the Company's deferred tax liabilities of $0.3 million and $0.2 million do not qualify for deferred tax netting and are included in *Other non-current liabilities* on the Consolidated Balance Sheets at December 31, 2019 and 2018, respectively.

The valuation allowance decreased from $26.5 million at December 31, 2018 to $24.2 million at December 31, 2019. The valuation allowance at December 31, 2019 was related to foreign net operating loss carryforwards, foreign tax credit carryforwards, and certain foreign deferred tax assets. The Company intends to maintain these valuation allowances until sufficient evidence exists to support their reversal.

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

At December 31, 2018, the Company had a net operating loss carryforward of $118.0 million related to its foreign tax filings. Of the $118.0 million net operating loss carryforward, $59.8 million is subject to a valuation allowance. Depending on the tax rules of the tax jurisdictions, the losses can be carried forward indefinitely or for periods ranging from five to twenty years. The Company also has a foreign tax credit carryforward of $8.2 million subject to a valuation allowance of $8.2 million.

As of December 31, 2018, the Company had $1.1 million of unrecognized tax benefits. As of December 31, 2019, the Company had $0.1 million of unrecognized tax benefits of which, if recognized, would be recorded as a component of income tax expense.

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

	December 31, 2019	December 31, 2018	December 31, 2017
Gross unrecognized tax benefits at January 1,	$ 1,128	$ 740	$ 1,038
Gross increases for tax positions of prior years	389	608	167
Gross decreases for tax positions of prior years	(377)	—	—
Settlements	(1,010)	(220)	(465)
Lapse of statute of limitations	—	—	—
Gross unrecognized tax benefits at December 31,	$ 130	$ 1,128	$ 740

In many cases the Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxable authorities. Years 2016 through 2018 are subject to examination by the state taxing authorities. The years 2016 through 2018 are subject to examination by the federal taxing authority. There are certain foreign jurisdictions that are subject to examination for years prior to 2016.

The Company is currently under audit by some jurisdictions. It is likely that the examination phase of several of these audits will conclude in the next twelve months. No significant increases or decreases in unrecognized tax benefits are expected to occur by December 31, 2020.

Estimated interest and penalties related to the underpayment of income taxes are classified as a component of the provision for income taxes in the Consolidated Statements of Comprehensive Income (Loss). Accrued interest and penalties are less than $0.1 million as of December 31, 2019.

The "Tax Cuts and Jobs Act" was enacted in December 22, 2017. The Tax Act included a territorial tax system, beginning in 2018, and it included two new U.S. tax base erosion provisions, the global intangible low-taxed income ("GILTI") provisions and the base-erosion and anti-abuse tax ("BEAT") provisions.

The Global Intangible Low-Taxed Income ("GILTI") provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. The Company became subject to incremental U.S. tax on GILTI income beginning in 2018 due to expense allocations required by the U.S. foreign tax credit rules. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the year ended December 31, 2019.

The Base Erosion and Anti-Abuse Tax ("BEAT") provisions in the Tax Reform Act eliminates the deduction of certain base-erosion payments made to related foreign corporations and impose a minimum tax if greater than regular tax. The Company does not expect it will be subject to this tax and therefore has not included any tax impacts of BEAT in its consolidated financial statements for the year ended December 31, 2019.

17. Changes in Accumulated Other Comprehensive Income

The changes in *Accumulated other comprehensive income* ("AOCI") by component for the year ended December 31, 2019, are summarized below:

	Available-for-Sale Securities	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2018	$ —	$ 5,258	$ (1,196)	$ 4,062
Other comprehensive income before classification, net of tax	13	844	(1,095)	(238)
Balance at December 31, 2019	$ 13	$ 6,102	$ (2,291)	$ 3,824

18. Segment Information

In 2018, the Company completed the integration of its Leadership Consulting and Culture Shaping businesses into one combined service offering, Heidrick Consulting. In conjunction with the integration, the Company reorganized its Management Committee, which the Company considers to be its chief operating decision maker, so as to regularly assess performance and make resource allocations decisions for the Heidrick Consulting business. Therefore, the Company now reports Leadership Consulting and Culture Shaping as one operating segment, Heidrick Consulting. In conjunction with the change in operating segments, the Company modified its corporate cost allocation methodology. Previously reported operating segment results for the twelve months ended December 31, 2017, have been recast to conform to the new operating segment structure and corporate cost allocation methodology.

The Company has four operating segments. The executive search business operates in the Americas, Europe (which includes Africa) and Asia Pacific (which includes the Middle East), and the Heidrick Consulting business operates globally.

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

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

	December 31,		
	2019	2018	2017
Revenue			
Executive Search			
Americas	$ 415,455	$ 405,267	$ 339,793
Europe	135,070	145,348	125,346
Asia Pacific	95,827	102,276	86,905
Total Executive Search	646,352	652,891	552,044
Heidrick Consulting	60,572	63,132	69,356
Revenue before reimbursements	706,924	716,023	621,400
Reimbursements	18,690	19,632	18,656
Total revenue	$ 725,614	$ 735,655	$ 640,056
Operating income (loss)			
Executive Search			
Americas (1)	$ 100,833	$ 96,880	$ 75,337
Europe (2)	3,026	5,849	13
Asia Pacific (3)	13,590	15,999	537
Total Executive Search	117,449	118,728	75,887
Heidrick Consulting (4)	(18,499)	(13,619)	(62,368)
Total segments	98,950	105,109	13,519
Global Operations Support (5)	(35,439)	(36,252)	(40,042)
Total operating income (loss)	$ 63,511	$ 68,857	$ (26,523)
Depreciation and amortization			
Executive Search			
Americas	$ 4,204	$ 4,605	$ 4,794
Europe	2,784	3,735	3,328
Asia Pacific	1,472	1,646	1,565
Total Executive Search	8,460	9,986	9,687
Heidrick Consulting	1,079	1,577	4,099
Total segments	9,539	11,563	13,786
Global Operations Support	832	959	988
Total depreciation and amortization	$ 10,371	$ 12,522	$ 14,774
Capital expenditures			
Executive Search			
Americas	$ 1,121	$ 601	$ 7,123
Europe	1,070	3,557	1,460
Asia Pacific	295	440	2,633
Total Executive Search	2,486	4,598	11,216
Heidrick Consulting	541	581	1,172
Total segments	3,027	5,179	12,388
Global Operations Support	325	1,006	3,298
Total capital expenditures	$ 3,352	$ 6,185	$ 15,686

(1) Operating income for the Americas includes restructuring charges of $4.1 million in 2019 and $0.8 million in 2017.
(2) Operating income for Europe includes restructuring charges of $4.0 million in 2017.
(3) Operating income for Asia Pacific includes restructuring charges of $2.0 million in 2017.
(4) Operating loss for Heidrick Consulting includes impairment charges of $50.7 million and restructuring charges of $3.4 million in 2017.
(5) Operating loss for Global Operations Support includes restructuring charges of less than $0.1 million in 2019 and $5.5 million in 2017.

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

	December 31, 2019	December 31, 2018
Current assets		
Executive Search		
Americas	$ 286,818	$ 255,889
Europe	96,230	85,355
Asia Pacific	78,967	74,169
Total Executive Search	462,015	415,413
Heidrick Consulting	30,628	34,174
Total segments	492,643	449,587
Global Operations Support	1,839	1,280
Total allocated current assets	494,482	450,867
Unallocated non-current assets	220,925	125,454
Goodwill and other intangible assets, net		
Executive Search		
Americas	93,054	88,462
Europe	26,893	27,010
Asia Pacific	8,819	8,836
Total Executive Search	128,766	124,308
Heidrick Consulting	—	—
Total goodwill and other intangible assets, net	128,766	124,308
Total assets	$ 844,173	$ 700,629

19. Guarantees

The Company has utilized letters of credit to support certain obligations, primarily the payment of office lease obligations and business license requirements for certain of its subsidiaries in Europe and Asia Pacific. The letters of credit were made to secure the respective agreements and are for the terms of the agreements, which extend through 2030. For each letter of credit issued, the Company would have to use cash to fulfill the obligation if the subsidiary defaults on a lease payment. The maximum amount of undiscounted payments the Company would be required to make in the event of default on all outstanding letters of credit was approximately $2.5 million as of December 31, 2019. The Company has not accrued for these arrangements as no event of default exists or is expected to exist.

20. Commitments and Contingencies

Litigation

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

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

The Audit and Finance Committee of the Board of Directors (the "Audit Committee") of the Company conducted a competitive process to select a firm to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018. The Audit Committee invited several firms to participate in this process.

As a result of this process, on June 13, 2018, the Audit Committee appointed RSM US LLP ("RSM") as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2018. In conjunction with the selection of RSM to serve as the Company's independent registered public accounting firm, the Audit Committee dismissed KPMG LLP ("KPMG") from that role effective on June 13, 2018.

KPMG's audit reports on the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2017, did not contain any adverse opinion or disclaimers of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal year ended December 31, 2017, and the interim period through June 13, 2018, there were (i) no disagreements between the Company and KPMG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG would have caused KPMG to make reference to the subject matter of the disagreement in their reports on the Company's consolidated financial statements for such years, and (ii) no "reportable events" as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

Management of the Company, with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2019. Based on the evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

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

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

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

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

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

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

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013. Based on this evaluation, management concluded that the Company’s system of internal control over financial reporting was effective as of December 31, 2019.

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

(c) Changes in Internal Control over Financial Reporting

Effective January 1, 2019, the Company adopted ASU No. 2016-02, Leases, and implemented changes to the relevant business processes, and related control activities within them, in order to monitor and maintain appropriate controls over financial reporting. There were no other changes in our internal control over financial reporting that occurred during the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our directors, executive officers and corporate governance will be included in the 2020 Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is included in our 2020 Proxy Statement and is incorporated herein by reference.

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

Equity Compensation Plan Information

The following table sets forth additional information as of December 31, 2019, about shares of our common stock that may be issued upon the vesting of restricted stock units and performance stock units and the exercise of options under our existing equity compensation plans and arrangements, divided between plans approved by our stockholders and plans or arrangements not submitted to the stockholders for approval. For a description of the types of securities that may be issued under our Second Amended and Restated 2012 Heidrick & Struggles GlobalShare Program. See Note 14, *Stock-Based Compensation*.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options		(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	778,547	(1)	$ —	981,682
Equity compensation plans not approved stockholders	—		—	—
Total equity compensation plans	778,547		—	981,682

(1) Includes 598,988 restricted stock units and 179,559 performance stock units at their target levels and no options. The performance stock units represent the maximum amount of shares to be awarded at target levels, and accordingly, may overstate expected dilution.

The other information required by this Item is included in our 2020 Proxy Statement and is incorporated herein by reference.

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

The information required by this Item is included in our 2020 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is included in the discussion under the caption “Audit Fees” in our 2020 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. Index to Consolidated Financial Statements:

   See Consolidated Financial Statements included as part of this Form 10-K beginning on page 32.

2. Exhibits:

Exhibit No.	Description
3.01	Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.02 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023))
3.02	Amended and Restated By-laws of the Registrant (Incorporated by reference to Exhibit 3.03 of the Registrant's Form 8-K filed May 30, 2017)
4.01	Specimen Stock Certificate (Incorporated by reference to Exhibit 4.01 of this Registrant's Registration Statement on Form S-4 (File No. 333-61023)
*4.02	Description of Securities
10.01	Credit Agreement dated as of June 22, 2011, among Heidrick & Struggles International, Inc., certain foreign subsidiary borrowers thereto, the lenders party thereto, JPMorgan Chase Bank, as Administrative Agent and Bank of America, N.A., as Syndication Agent (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, dated June 22, 2011, filed on June 27, 2011)
10.02	Amendment and Restatement Agreement among Heidrick & Struggles International, Inc., certain foreign subsidiary borrowers thereto, the lenders party thereto and JPMorgan Chase Bank, as Administrative Agent, dated January 31, 2013 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K, dated January 31, 2013)
10.03	Second Amended and Restated Credit Agreement among Heidrick & Struggles International, Inc., the Foreign Subsidiary Borrowers from time to time party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Bank of America, N.A., as Syndication Agent, dated June 30, 2015 (Incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K, dated July 1, 2015)
10.04	Eighth Lease Amendment between 233 S. WACKER LLC and Heidrick & Struggles International, Inc. dated October 1, 2014 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on October 9, 2014)
10.05	Lease between 1114 6th Avenue Co., LLC and Heidrick & Struggles International, Inc., and Heidrick & Struggles, Inc., dated August 31, 2007 (Incorporated by reference to Exhibit 10.04 of the Registrant's Form 10-K filed on February 28, 2008)
10.06	Employment Agreement of Richard W. Pehlke dated August 15, 2011 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, dated August 15, 2011, filed August 16, 2011) **
10.07	Amended and Restated Employment Letter Agreement of Stephen Beard dated May 18, 2011 (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 10-Q filed on August 1, 2011)**
10.08	Employment Agreement of Tracy R. Wolstencroft dated February 2, 2014 (Incorporated by reference to exhibit 99.1 of the Registrant's Form 8-K filed February 6, 2014)**
10.09	Employment Agreement of Richard W. Greene (Incorporated by reference to Exhibit 99.01 of the Registrant's Form 8-K filed March 27, 2015) **
10.10	Employment Agreement of Krishnan Rajagopalan dated April 9, 2015 (Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed April 20, 2015) **
10.11	Restricted Stock Unit Participation Agreement issued to Tracy R. Wolstencroft dated February 3, 2014 (Incorporated by reference to exhibit 99.2 of the Registrant's Form 8-K filed February 6, 2014)**
10.12	Performance Stock Unit Participation Agreement issued to Tracy R. Wolstencroft dated February 3, 2014 (Incorporated by reference to exhibit 99.3 of the Registrant's Form 8-K filed February 6, 2014)**
10.13	Employment Agreement of Colin Price dated January 18, 2017 (Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed January 19, 2017.)**

10.14	Membership Interest Purchase Agreement, dated as of December 31, 2012, among Heidrick & Struggles International, Inc., Senn-Delaney Leadership Consulting Group, LLC and the members of Senn-Delaney Leadership Consulting Group, LLC (Incorporated by reference to exhibit 2.1 of the Registrant's Form 8-K filed January 4, 2013).
10.15	Share Purchase Agreement, dated October 1, 2015, by and among Heidrick & Struggles International, Inc. and Heidrick & Struggles (UK) Limited and Sharon Lee Toye, Tammy Ann Mitchell-Fisher, Catherine Elizabeth Powell and Colin Price (Incorporated by reference to exhibit 2.1 of the Registrant's Form 8-K filed October 6, 2015).
10.16	Asset Purchase Agreement, dated as of February 9, 2016, by and among Decision Strategies International, Inc., Decision Strategies International (UK) Limited, The Shareholders set forth on Annex I thereto, Paul J. H. Schoemaker, as the Shareholders' Representative, Heidrick & Struggles, Inc., Hedirick & Struggles Leadership Consulting Ltd. and Heidrick & Struggles International, Inc. (Incorporated by reference to exhibit 2.1 of the Registrant's Form 8-K filed February 11, 2016).
10.17	Heidrick & Struggles International, Inc. Management Severance Pay Plan and Summary Plan Description as Amended and Restated Effective December 31, 2010 (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K dated, October 25, 2011, filed on October 25, 2011) **
10.18	2007 Heidrick & Struggles GlobalShare Program (Incorporated by reference to Appendix A to the Registrant's Proxy Statement dated April 25, 2011)**
10.19	Heidrick & Struggles Incentive Plan, as Amended and Restated Effective January 1, 2008 (Incorporated by reference to Exhibit 10.20 of the Registrant's From 10-K filed on February 27, 2009)**
10.20	Form of Non-Qualified Stock Option Grant Agreement (Incorporated by reference to Exhibit 10.5 of the Registrant's Form 8-K dated December 29, 2011, filed on January 5, 2012)**
10.21	Form of Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K dated December 29, 2011, filed on January 5, 2012)**
10.22	Form of Performance Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.4 of the Registrant's Form 8-K dated December 29, 2011, filed on January 5, 2012)**
10.23	Form of Non-Employee Director Restricted Stock Unit Participation Agreement (Incorporated by reference to Exhibit 10.19 of the Registrant's 10-K dated March 14, 2012)**
10.24	Heidrick & Struggles International, Inc. U.S. Employees Deferred Compensation Plan (Incorporated by reference to Exhibit 10.10 of the Registrant's Form 10-K for the year ended December 31, 2005, filed on March 10, 2006)**
10.25	Heidrick & Struggles International, Inc. Deferred Compensation Plan (Incorporated by reference to Exhibit 4.1 of this Registrant's Registration Statement on Form S-8 (File No. 333-82424))**
10.26	First Amendment to the Heidrick & Struggles International, Inc. U.S. Employees Deferred Compensation Plan (Incorporated by reference to Exhibit 10.25 of the Registrant's Form 10-K for the year ended December 31, 2008, filed on February 27, 2009)**
10.27	Heidrick & Struggles Non-Employee Directors' Voluntary Deferred Compensation Plan - Amended and Restated as of September 30, 2016 (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed October 5, 2016.)**
10.28	Heidrick & Struggles International, Inc. Change in Control Severance Plan, as amended and restated effective December 29, 2011 (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K dated December 29, 2011, filed on January 5, 2012).**
10.29	Share Purchase Agreement, dated August 4, 2016 for the sale and purchase of the entire issued share capital of JCA Group Limited and the entire partnership interest in JCA Partners LLP by and among JCA Events Limited, the persons listed in Schedule 1 thereto, Heidrick & Struggles (UK) Limited, and Heidrick & Struggles International, Inc. (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed August 4, 2016.)
10.30	Asset Purchase Agreement by and among Philosophy IB, LLP, Christine H. Lotze, Kaveh Naficy and Heidrick & Struggles, Inc. dated August 12, 2016 (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed August 16, 2016.)
10.31	Deed of Amendment dated August 25, 2016 by and among Heidrick & Struggles International, Inc., Heidrick & Struggles (UK) Limited, and Sharon Lee Toye, Tammy Ann Mitchell-Fisher, Catherine Elizabeth Powell and Colin Price (Incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed August 29, 2016.)
10.32	Business Protection Agreement by and between Heidrick & Struggles (UK) Limited and Mr. Colin Price dated January 18, 2016 (Incorporated by reference to Exhibit 99.2 of the Registrant's Form 8-K filed January 18, 2017.)**

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

*23.02	Consent of Independent Registered Public Accounting Firm - KPMG LLP
*31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*101.INS	XBRL Instance document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

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

(b) SEE EXHIBIT INDEX ABOVE

(c) FINANCIAL STATEMENTS NOT PART OF ANNUAL REPORT

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 24, 2020.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 24, 2020.

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

Exhibit 4.02

HEIDRICK & STRUGGLES INTERNATIONAL, INC.
DESCRIPTION OF SECURITIES

As of December 31, 2019, Heidrick & Struggles International Inc.'s common stock was the only class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended.

The following description of the terms of our common stock is not complete and is qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and our Amended and Restated Bylaws ("Bylaws"), both of which are incorporated by reference as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2019 of which this Exhibit 4.02 is a part.

DESCRIPTION OF COMMON STOCK

Authorized Capital Shares

Our authorized capital stock consists of 110,000,000 shares, each with a par value of $0.01 per share, of which:

- 100,000,000 shares are designated as common stock, of which 19,170,352 shares were outstanding as of February 21, 2020; and
- 10,000,000 shares are designated as preferred stock, none of which were outstanding as of February 21, 2020.

Voting Rights

Stockholders are entitled to one vote per share on all matters to be voted upon by the stockholders, including the election of directors. The holders of common stock do not have cumulative voting rights in the election of directors. Under our Bylaws, any newly created directorship on the Board of Directors that results from an increase in the number of directors shall, subject to the rights of holders of any shares of preferred stock, be filled only by a majority of the directors then in office, provided that a quorum is present. Any other vacancy may, subject to the rights of holders of any shares of preferred stock, be filled only by a majority of the directors, although less than a quorum, or by a sole remaining director. Any director appointed to fill a vacancy or a newly created directorship shall hold office until the next annual meeting of stockholders, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. If any applicable provision of the General Corporation Law of the State of Delaware expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such meeting only by the affirmative vote of at least 75% in voting power of all shares of the corporation entitled to vote generally in the election of directors, voting as a single class.

Dividend and Liquidation Rights

Holders of common stock will be entitled to receive dividends if, as and when dividends are declared from time to time by the Board of Directors out of funds legally available therefor, after payment of dividends required to be paid on outstanding preferred stock, if any. In the event of liquidation, dissolution or winding up of the company, the holders of common stock will be entitled to share ratably in all assets remaining after payment of liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock.

Other Rights

Holders of common stock have no preemptive or conversion rights and are not subject to our further calls or assessment. There are no redemption or sinking fund provisions applicable to the common stock.

Section 203 of the Delaware General Corporation Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A “business combination” includes a merger, asset sale or a transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is a person who, individually or together with that person’s affiliates and associates, owns (or, in certain cases, within the preceding three years, did own) 15% or more of the corporation’s outstanding voting stock. Under Section 203, a business combination between an interested stockholder and us is prohibited unless it satisfies one of the following conditions:

- prior to the time the stockholder became an interested stockholder, our Board of Directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- on consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced (excluding, for purposes of determining the number of shares outstanding, but not the outstanding voting stock owned by the interested

stockholder, (1) shares owned by persons who are directors and officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or

- at or subsequent to such time the business combination is approved by our Board of Directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Certain Anti-Takeover Effects
Anti-takeover provisions in our Certificate of Incorporation, our Bylaws and the Delaware laws make the acquisition of us in a transaction not approved by our Board of Directors more difficult or expensive.

Advance Notice Requirements
Our Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or bring other business before an annual meeting of our stockholders. These procedures provide that notice of stockholder proposals must be given in writing in a timely manner to our secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices of not less than 60 days prior to the anniversary of the prior year’s annual meeting, nor more than 90 days prior to the first anniversary of the prior year’s annual meeting. The notice must contain certain information specified in our Bylaws.

Blank Check Preferred Stock
Our Certificate of Incorporation provides for 10,000,000 authorized shares of preferred stock. We believe that the availability of the preferred stock will provide increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs that might arise. Having such authorized shares available for issuance will allow us to issue shares of preferred stock without the expense and delay of a special stockholders' meeting. The authorized shares of preferred stock, as well as shares of common stock, will be available for issuance without further action by the stockholders, unless such action is required by applicable law or the rules of any stock exchange on which our securities may be listed. Although the Board of Directors has no current intention to do so, it would have the power (subject to applicable law) to issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. For instance, subject to applicable law, such series of preferred stock might impede a business combination by including class voting rights that would enable the holder to block such a transaction. The Board of Directors will make any determination to issue such shares based on its judgment as to our best interests and our stockholders. The Board of Directors, in so acting, could issue preferred stock having terms which could discourage an acquisition attempt or other transaction that some, or a majority of the stockholders might believe to be in their best interest or in which stockholders might receive a premium for their stock over the then market price of such stock.

No Cumulative Voting
Our Certificate of Incorporation does not grant stockholders the right to vote cumulatively.

No Written Consent of Stockholders
Our Certificate of Incorporation does not permit our stockholders to act by written consent without a meeting.

Special Meetings of Stockholders
The Bylaws provide that to elect additional directors under specified circumstances, special meetings of stockholders can be called only by the Chairman of the Board or the President of the company, at the request in writing of a majority of the Board of Directors, pursuant to a resolution adopted by a majority of the total number of directors. Stockholders are not permitted to call a special meeting or to require that the Board of Directors call a special meeting of stockholders. Moreover, the business permitted to be conducted at any special meeting of stockholders is limited to the business brought before the meeting pursuant to the notice of meeting that we gave or by any stockholder who is entitled to vote at the meeting, who complies with the notice procedures set forth in the Bylaws and who is a stockholder of record at the time such notice is delivered to the secretary of the company not earlier than the ninetieth day prior to such special meeting and not later than the close of business on the later of the sixtieth day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

Transfer Agent and Registrar
The transfer agent and registrar for the common stock is Computershare Trust Company, N.A.

Listing
Our common stock is listed on the Nasdaq Stock Market LLC (Nasdaq Global Stock Market) under the symbol “HSII.”

Exhibit 10.53

Performance Stock Unit Participation Agreement

This Performance Restricted Stock Unit Participation Agreement (the "Agreement") is dated as of this ____ day of ____, 2019 and sets forth the terms and conditions of the Award described below made by Heidrick & Struggles International, Inc. (the "Company") to [____] (the "Participant"), pursuant to the Second Amended and Restated 2012 Heidrick & Struggles GlobalShare Program (the "Program" or the "Plan").

As of ____ (the "Grant Date"), the Company has granted ____ Performance Restricted Stock Units ("PRSUs") to the Participant as set forth herein. The PRSUs 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 ____.

The PRSUs 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 PRSUs 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 PRSUs 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: [____]

Heidrick & Struggles International, Inc.

By: ___________________________________
Name: Kamau Coar
Title: General Counsel & 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 ____ PRSUs subject to the terms and conditions herein.

3. Vesting of PRSUs.
    a. Subject to Section 3(b) and Section 4 below, all PRSUs granted under the Agreement shall vest in accordance with the Earn-Out Installments set forth in the Quota Purchase Agreement dated August 23, 2019 (the “QPA”), with 1) 50% vesting with the First Earn-Out Installment; and 2) 50% vesting with the Second Earn-Out Installment; provided the Participant has been in Continuous Service through each vesting date. For purposes of the Agreement, “Continuous Service” shall mean the Participant’s service with the Company or any Subsidiary or Affiliate as a quota holder 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.
    b. Vesting of the PRSUs shall also be contingent upon the achievement of the respective Earn-Out Installments described in the QPA. The PRSUs awarded to the Participant shall only vest should the applicable Earn-Out Installment metrics being achieved.
    c. If the Participant’s Continuous Service is terminated as a result of the Participant’s death or Disability, all PRSUs granted to the Participant under the Agreement will immediately vest.

4. Effect of Vesting.

    a. If, and at the time, the Participant’s PRSUs vest under the terms of Section 3 or Section 9, and subject to Section 7, such Participant shall receive as full consideration for the PRSUs the number of PRSUs which vested on such date.

    b. The PRSUs 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 PRSUs 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 PRSUs vest and are converted into Shares, and subject to Section 7, 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 PRSUs 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 PRSUs vest.

6. Dividend Equivalents. The Company shall credit the Participant’s PRSU account with an amount equal to the dividends, if any, that would be paid with respect to the unvested PRSUs as if the PRSUs were actual Shares to a shareholder as of the record date. Such amount shall be credited to the Participant’s PRSU 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 in cash, as soon as practical following when the Participant’s related PRSUs vest and are issued as Shares to the Participant.

7. Tax Withholdings and Payments.

    a. The Participant will pay withholding taxes attributable to the receipt of Shares from the PRSUs by having cash withheld by the Company or its Subsidiary or Affiliate that would otherwise be received by the Participant under the Agreement, or by any other method approved by the Committee.

    b. The Company shall deduct from the dividend equivalents paid to the Participant pursuant to Section 6 the Participant’s withholding obligation arising from such payment.

8. Mandatory Holding Requirement. The Participant agrees not to transfer, sell, pledge, hypothecate or otherwise dispose of the Shares that are delivered to the Participant under this Agreement 180 days from the date such Shares vest.

9. Forfeiture of PRSUs.

    a. Subject to the next following sentence, the Participant's unvested PRSUs 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 PRSUs vest as provided in Section 3 above or (b) the Participant's termination of Continuous Service by the Company or any Subsidiary or Affiliate without Cause.

    b. The Participant's unvested PRSUs shall also be forfeited to the Company in the event that the applicable Earn-Out Installment described in the QPA is not achieved.

    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, 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.

10. Miscellaneous.

    a. The Company or any Subsidiary or Affiliate shall have no obligation to continue any 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 PRSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of PRSUs; (iii) the PRSUs are not a part of normal or expected dividend payment for any purposes; (iv) the future value of the underlying shares is unknown and cannot be predicted with certainty; and (vii) in consideration of the grant of PRSUs, no claim or entitlement to compensation or damages shall arise from termination of the PRSUs or diminution in value of the PRSUs 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 PRSUs 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

11. 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.

12. 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, 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.

13. 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.

SUBSIDIARIES OF HEIDRICK & STRUGGLES INTERNATIONAL, INC.

The following are subsidiaries of Heidrick & Struggles International, Inc. as of December 31, 2019:

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

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

H&S HOLDINGS LIMITED, a Thailand corporation

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

HEIDRICK & STRUGGLES AB, a Sweden corporation

HEIDRICK & STRUGGLES AG, a Switzerland corporation

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

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

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

HEIDRICK & STRUGGLES B.V., a Netherlands corporation

HEIDRICK & STRUGGLES CANADA, INC., a Canada corporation

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

HEIDRICK & STRUGGLES COLOMBIA LTDA, a Colombia corporation

HEIDRICK & STRUGGLES CYPRUS LTD., a Cyprus corporation

HEIDRICK & STRUGGLES DO BRASIL LTDA, a Brazil corporation

HEIDRICK & STRUGGLES ESPANA, INC., an Illinois corporation

HEIDRICK & STRUGGLES FAR EAST LIMITED, a Hong Kong corporation

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

HEIDRICK & STRUGGLES (GIBRALTAR) LIMITED, a Gibraltar corporation

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

HEIDRICK & STRUGGLES HOLDING DO BRASIL LTDA, a Brazil corporation

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

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

HEIDRICK & STRUGGLES, INC., a Delaware corporation

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

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

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

Exhibit 21.01

HEIDRICK & STRUGGLES JAPAN, LTD., an Illinois corporation

HEIDRICK & STRUGGLES KB PARTNERSHIP, a Sweden partnership

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

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

HEIDRICK & STRUGGLES LTD., an Israel corporation

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

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

HEIDRICK & STRUGGLES (RUSSIA) LLC, a Russia corporation

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

HEIDRICK & STRUGGLES (SHP) LIMITED, a UK corporation

HEIDRICK & STRUGGLES SINGAPORE PTE LTD., a Singapore corporation

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

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

HEIDRICK & STRUGGLES TAIWAN LIMITED, a Taiwan corporation

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

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

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

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

HEIDRICK & STRUGGLES A/S, a Denmark corporation

HEIDRICK & STRUGGLES IRELAND, LIMITED, an Ireland corporation

SHPA ESOP LTD., a UK corporation

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

SCAMBLER MACGREGOR EXECUTIVE SEARCH PTY. LIMITED, an Australian corporation

JCA GROUP LIMITED 1, a UK corporation

JCA BOARD PRACTICE LIMITED 1, a UK corporation

JCA PARTNERS LLP 1, a UK partnership

JCA SEARCH LIMITED, a UK corporation

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

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

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

Exhibit 23.01

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (No. 333-181712, No. 333-147476, No. 333-130143, No. 333-82424, No. 333-58118, No. 333-32544, No. 333-73443 and No. 333-225436) on Form S-8 of Heidrick & Struggles International, Inc. of our reports dated February 24, 2020, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Heidrick & Struggles International, Inc., appearing in this Annual Report on Form 10-K of Heidrick & Struggles International, Inc. for the year ended December 31, 2019.

/s/ RSM US LLP

Chicago, Illinois
February 24, 2020

Exhibit 23.02

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Heidrick & Struggles, International, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-181712, 333-147476, 333-130143, 333-82424, 333-58118, 333-32544, 333-73443 and 333-225436) on Form S-8 of Heidrick & Struggles International, Inc. of our report dated March 13, 2018, with respect to the consolidated statements of comprehensive loss, changes in stockholders' equity, and cash flows for the year ended December 31, 2017, and the related notes, before the effects of the adjustments to retrospectively apply the change in reportable segments described in Note 18, which report appears in the December 31, 2019 annual report on Form 10-K of Heidrick & Struggles International, Inc.

/s/ KPMG LLP

Chicago, Illinois
February 24, 2020

Exhibit 31.1

CERTIFICATION

I, Krishnan Rajagopalan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: February 24, 2020

/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 annual report on Form 10-K of Heidrick & Struggles International, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: February 24, 2020

/s/ Mark R. Harris

Mark R. Harris
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

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

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

The Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K") of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	February 24, 2020	/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 Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K") of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2020	/s/ Mark R. Harris
	Mark R. Harris
	Executive Vice President and Chief Financial Officer