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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2022

OR

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

For the transition period from _______ to _______

Commission File Number: 0-25837

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

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

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

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

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

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

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

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

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

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

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

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

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

As of April 22, 2022, there were 19,717,804 shares of the Company's common stock outstanding.

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

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

	March 31, 2022 (Unaudited)	December 31, 2021
Current assets		
Cash and cash equivalents	$ 267,986	$ 545,225
Accounts receivable, net of allowances of $6,278 and $5,666, respectively	186,220	133,750
Prepaid expenses	30,681	21,754
Other current assets	47,146	41,449
Income taxes recoverable	3,569	3,210
Total current assets	535,602	745,388
Non-current assets		
Property and equipment, net	27,162	27,085
Operating lease right-of-use assets	69,344	72,320
Assets designated for retirement and pension plans	12,372	12,715
Investments	38,006	36,051
Other non-current assets	23,448	23,377
Goodwill	139,017	138,524
Other intangible assets, net	8,462	9,169
Deferred income taxes	42,159	42,169
Total non-current assets	359,970	361,410
Total assets	$ 895,572	$ 1,106,798
Current liabilities		
Accounts payable	$ 16,350	$ 20,374
Accrued salaries and benefits	179,663	409,026
Deferred revenue	55,364	51,404
Operating lease liabilities	18,963	19,332
Other current liabilities	53,982	24,554
Income taxes payable	15,397	10,004
Total current liabilities	339,719	534,694
Non-current liabilities		
Accrued salaries and benefits	71,235	73,779
Retirement and pension plans	57,076	55,593
Operating lease liabilities	62,439	65,625
Other non-current liabilities	14,338	41,087
Total non-current liabilities	205,088	236,084
Total liabilities	544,807	770,778
Commitments and contingencies (Note 17)		
Stockholders’ equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued at March 31, 2022 and December 31, 2021	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 19,722,884 and 19,596,607 shares issued, 19,717,804 and 19,591,527 shares outstanding at March 31, 2022 and December 31, 2021, respectively	197	196
Treasury stock at cost, 5,080 shares at March 31, 2022 and December 31, 2021	(191)	(191)
Additional paid in capital	233,641	233,163
Retained earnings	116,525	101,177
Accumulated other comprehensive income	593	1,675
Total stockholders’ equity	350,765	336,020
Total liabilities and stockholders’ equity	$ 895,572	$ 1,106,798

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

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenue		
Revenue before reimbursements (net revenue)	$ 283,861	$ 193,656
Reimbursements	1,676	1,075
Total revenue	285,537	194,731
Operating expenses		
Salaries and benefits	201,445	141,363
General and administrative expenses	29,794	27,368
Cost of services	17,988	1,456
Research and development	4,402	—
Restructuring charges	—	3,861
Reimbursed expenses	1,676	1,075
Total operating expenses	255,305	175,123
Operating income	30,232	19,608
Non-operating income (expense)		
Interest, net	110	82
Other, net	(2,471)	3,082
Net non-operating income	(2,361)	3,164
Income before income taxes	27,871	22,772
Provision for income taxes	9,404	7,940
Net income	18,467	14,832
Other comprehensive loss, net of tax		
Foreign currency translation adjustment	(1,082)	(693)
Other comprehensive loss, net of tax	(1,082)	(693)
Comprehensive income	$ 17,385	$ 14,139
Weighted-average common shares outstanding		
Basic	19,624	19,387
Diluted	20,511	20,171
Earnings per common share		
Basic	$ 0.94	$ 0.77
Diluted	$ 0.90	$ 0.74
Cash dividends paid per share	$ 0.15	$ 0.15

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

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

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

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	19,586	$ 196	226	$ (8,041)	$ 231,048	$ 40,982	$ 3,417	$ 267,602
Net income	—	—	—	—	—	14,832	—	14,832
Other comprehensive loss, net of tax	—	—	—	—	—	—	(693)	(693)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	2,991	—	—	2,991
Vesting of equity awards, net of tax withholdings	—	—	(138)	4,951	(8,041)	—	—	(3,090)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,905)	—	(2,905)
Dividend equivalents on restricted stock units	—	—	—	—	—	(167)	—	(167)
Balance at March 31, 2021	19,586	$ 196	88	$ (3,090)	$ 225,998	$ 52,742	$ 2,724	$ 278,570

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

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

	Three Months ended March 31, 2022	Three Months ended March 31, 2021
Cash flows - operating activities		
Net income	$ 18,467	$ 14,832
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,620	6,068
Deferred income taxes	(477)	(495)
Stock-based compensation expense	3,698	2,991
Accretion expense related to earnout payments	271	—
Gain on marketable securities	—	(1)
Loss on disposal of property and equipment	167	21
Changes in assets and liabilities:		
Accounts receivable	(53,142)	(41,209)
Accounts payable	(4,156)	1,365
Accrued expenses	(227,424)	(116,327)
Restructuring accrual	—	(2,902)
Deferred revenue	4,137	963
Income taxes recoverable and payable, net	5,028	6,819
Retirement and pension plan assets and liabilities	3,497	1,235
Prepaid expenses	(9,081)	(7,894)
Other assets and liabilities, net	(5,801)	(8,037)
Net cash used in operating activities	(262,196)	(142,571)
Cash flows - investing activities		
Capital expenditures	(1,804)	(945)
Purchases of marketable securities and investments	(5,011)	(1,354)
Proceeds from sales of marketable securities and investments	763	20,153
Net cash provided by (used in) investing activities	(6,052)	17,854
Cash flows - financing activities		
Cash dividends paid	(3,119)	(3,072)
Payment of employee tax withholdings on equity transactions	(3,219)	(3,090)
Net cash used in financing activities	(6,338)	(6,162)
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	(2,671)	(1,539)
Net decrease in cash, cash equivalents and restricted cash	(277,257)	(132,418)
Cash, cash equivalents and restricted cash at beginning of period	545,259	316,489
Cash, cash equivalents and restricted cash at end of period	$ 268,002	$ 184,071

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

(All tables in thousands, except per share figures)

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited Condensed Consolidated Financial Statements of Heidrick & Struggles International, Inc. and subsidiaries (the "Company") have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Significant items subject to estimates and assumptions include revenue recognition, income taxes, interim effective tax rate and the assessment of goodwill, other intangible assets and long-lived assets for impairment. Estimates are subject to a degree of uncertainty and actual results could differ from these estimates. In the opinion of management, all adjustments necessary to fairly present the financial position of the Company at March 31, 2022 and December 31, 2021, the results of operations for the three months ended March 31, 2022 and 2021 and its cash flows for the three months ended March 31, 2022 and 2021 have been included and are of a normal, recurring nature except as otherwise disclosed. These financial statements and notes are to be read in conjunction with the Company’s Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 28, 2022.

2. Summary of Significant Accounting Policies

A complete listing of the Company’s significant accounting policies is discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

Revenue Recognition

See Note 3, *Revenue.*

Cost of Services

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

Research and development

Research and development consists of payroll, employee benefits, stock-based compensation, other employee expenses and third-party professional fees associated with new product development.

Marketable Securities

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

Restricted Cash

The following table provides a reconciliation of the cash and cash equivalents between the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Cash Flows as of March 31, 2022 and 2021, and December 31, 2021 and 2020:

	March 31,		December 31,	
	2022	2021	2021	2020
Cash and cash equivalents	$ 267,986	$ 184,055	$ 545,225	$ 316,473
Restricted cash included within other non-current assets	16	16	34	16
Total cash, cash equivalents and restricted cash	$ 268,002	$ 184,071	$ 545,259	$ 316,489

Earnings per Common Share

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

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

	Three Months Ended March 31,	
	2022	**2021**
Net income	$ 18,467	$ 14,832
Weighted average shares outstanding:		
Basic	19,624	19,387
Effect of dilutive securities:		
Restricted stock units	650	589
Performance stock units	237	195
Diluted	20,511	20,171
Basic earnings per share	$ 0.94	$ 0.77
Diluted earnings per share	$ 0.90	$ 0.74

Reclassifications

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

Leases

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

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

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

Recently Issued Financial Accounting Standards

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

3. Revenue

Executive Search

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

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

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

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

On-Demand Talent

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

Heidrick Consulting

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

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

Contract Balances

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

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

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

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

The following table outlines the changes in the contract asset and liability balances from December 31, 2021 to March 31, 2022:

	March 31, 2022	December 31, 2021	Change
Contract assets			
Unbilled receivables, net	$ 19,348	$ 17,947	$ 1,401
Contract assets	21,725	18,995	2,730
Total contract assets	41,073	36,942	4,131
Contract liabilities			
Deferred revenue	$ 55,364	$ 51,404	$ 3,960

During the three months ended March 31, 2022, the Company recognized revenue of $51.1 million that was included in the contract liabilities balance at the beginning of the period. The amount of revenue recognized during the three months ended March 31, 2022, from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $8.3 million.

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

4. Credit Losses

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

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

Balance at December 31, 2021	$ 5,666
Provision for credit losses	2,154
Write-offs	(1,534)
Foreign currency translation	(8)
Balance at March 31, 2022	$ 6,278

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

	Less Than 12 Months		Balance Sheet Classification	
Balance at March 31, 2022	Fair Value	Unrealized Loss	Cash and Cash Equivalents	Marketable Securities
U.S. Treasury securities	$ 51,984	$ 1	$ 51,984	$ —

There were no investments with unrealized losses at December 31, 2021.

5. Property and Equipment, net

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

	March 31, 2022	December 31, 2021
Leasehold improvements	$ 41,510	$ 42,252
Office furniture, fixtures and equipment	14,515	14,933
Computer equipment and software	25,640	24,293
Property and equipment, gross	81,665	81,478
Accumulated depreciation	(54,503)	(54,393)
Property and equipment, net	$ 27,162	$ 27,085

Depreciation expense for each of the three months ended March 31, 2022 and 2021 was $1.8 million.

6. Leases

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

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

Office leases have remaining lease terms that range from less than one year to 11.3 years, some of which also include options to extend or terminate the lease. Most office leases contain both fixed and variable lease payments. Variable lease costs consist primarily of rent escalations based on an established index or rate and taxes, insurance, and common area or other maintenance costs, which are paid based on actual costs incurred by the lessor. The Company has elected to utilize the available practical expedient to not separate lease and non-lease components for office leases.

As part of the Company's restructuring plan, a lease component related to one of the Company's offices was abandoned and the useful life of the associated right-of-use asset was shortened to correspond with the cease-use date. As a result of the change in the useful life, approximately $4.0 million of right-of-use asset amortization was accelerated and recorded in *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income and *Depreciation and amortization* in the Condensed Consolidated Statements of Cash Flows during the three months ended March 31, 2021.

Equipment leases, which are comprised of vehicle and office equipment leases, have remaining terms that range from less than one year to 4.7 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 were as follows:

	Three Months Ended March 31,	
	2022	2021
Operating lease cost	$ 4,358	$ 4,867
Variable lease cost	1,161	1,228
Total lease cost	$ 5,519	$ 6,095

Supplemental cash flow information related to the Company's operating leases is as follows for the three months ended March 31:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 5,044	$ 7,566
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 281	$ 791

The weighted average remaining lease term and weighted average discount rate for operating leases as of March 31, are as follows:

	2022	2021
Weighted Average Remaining Lease Term		
Operating leases	6.3 years	5.9 years
Weighted Average Discount Rate		
Operating leases	3.25 %	3.44 %

The future maturities of the Company's operating lease liabilities as of March 31, 2022, for the years ended December 31 are as follows:

	Operating Lease Maturity
2022	$ 13,339
2023	18,688
2024	16,649
2025	8,764
2026	7,377
Thereafter	25,484
Total lease payments	90,301
Less: Interest	(8,899)
Present value of lease liabilities	$ 81,402

7. Financial Instruments and Fair Value

Cash, Cash Equivalents and Marketable Securities

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

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

		Cash and Cash Equivalents
Balance at March 31, 2022		
Cash	$	145,982
Level 1(1):		
Money market funds		28,026
U.S. Treasury securities		93,978
Total Level 1		122,004
Total	$	267,986

		Cash and Cash Equivalents
Balance at December 31, 2021		
Cash	$	265,233
Level 1(1):		
Money market funds		80,798
U.S. Treasury securities		199,194
Total Level 1		279,992
Total	$	545,225

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

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

The Company has a U.S. non-qualified deferred compensation plan that consists primarily of U.S. marketable securities and mutual funds. The aggregate cost basis for these investments was $27.5 million and $22.9 million as of March 31, 2022 and December 31, 2021, respectively.

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

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

		Balance Sheet Classification				
	Fair Value	Other Current Assets	Assets Designated for Retirement and Pension Plans	Investments	Other Current Liabilities	Retirement and Pension Plans
Balance at March 31, 2022						
Measured on a recurring basis:						
Level 1[1]:						
U.S. non-qualified deferred compensation plan	$ 38,006	$ —	$ —	$ 38,006	$ —	$ —
Level 2[2]:						
Retirement and pension plan assets	13,669	1,297	12,372	—	—	—
Pension benefit obligation	(19,066)	—	—	—	(1,297)	(17,769)
Total Level 2	(5,397)	1,297	12,372	—	(1,297)	(17,769)
Total	$ 32,609	$ 1,297	$ 12,372	$ 38,006	$ (1,297)	$ (17,769)

		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, 2021						
Measured on a recurring basis:						
Level 1[1]:						
U.S. non-qualified deferred compensation plan	$ 36,051	$ —	$ —	$ 36,051	$ —	$ —
Level 2[2]:						
Retirement and pension plan assets	14,048	1,333	12,715	—	—	—
Pension benefit obligation	(19,594)	—	—	—	(1,333)	(18,261)
Total Level 2	(5,546)	1,333	12,715	—	(1,333)	(18,261)
Total	$ 30,505	$ 1,333	$ 12,715	$ 36,051	$ (1,333)	$ (18,261)

(1) Level 1 – Quoted prices in active markets for identical assets and liabilities.
(2) Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Contingent Consideration and Compensation

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

The following table provides a reconciliation of the beginning and ending balance of Level 3 liabilities for the three months ended March 31, 2022:

	Earnout	Contingent Compensation
Balance at December 31, 2021	$ (35,654)	$ (4,141)
Earnout accretion	(271)	—
Compensation expense	—	(1,089)
Foreign currency translation	—	(760)
Balance at March 31, 2022	$ (35,925)	$ (5,990)

Earnout accruals of $26.9 million and zero were recorded within *Other current liabilities* as of March 31, 2022 and December 31, 2021, respectively, and earnout accruals of $9.0 million and $35.7 million were recorded within *Other non-current liabilities* as of March 31, 2022 and December 31, 2021, respectively. The contingent compensation accruals are recorded within non-current *Accrued salaries and benefits* at both March 31, 2022 and December 31, 2021.

8. Goodwill and Other Intangible Assets

Goodwill

The Company's goodwill by segment is as follows:

	March 31, 2022	December 31, 2021
Executive Search		
Americas	$ 91,989	$ 91,463
Europe	1,499	1,532
Total Executive Search	93,488	92,995
On-Demand Talent	45,529	45,529
Total goodwill	$ 139,017	$ 138,524

Changes in the carrying amount of goodwill by segment for the three months ended March 31, 2022, are as follows:

	Executive Search				
	Americas	Europe	Asia Pacific	On-Demand Talent	Total
Goodwill	$ 91,463	$ 26,007	$ 8,495	$ 45,529	$ 171,494
Accumulated impairment losses	—	(24,475)	(8,495)	—	(32,970)
Balance at December 31, 2021	91,463	1,532	—	45,529	138,524
Foreign currency translation	526	(33)	—	—	493
Goodwill	91,989	25,974	8,495	45,529	171,987
Accumulated impairment losses	—	(24,475)	(8,495)	—	(32,970)
Balance at March 31, 2022	$ 91,989	$ 1,499	$ —	$ 45,529	$ 139,017

Other Intangible Assets, net

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

	March 31, 2022	December 31, 2021
Executive Search		
Americas	$ 103	$ 103
Europe	389	463
Asia Pacific	30	33
Total Executive Search	522	599
On-Demand Talent	7,940	8,570
Total other intangible assets, net	$ 8,462	$ 9,169

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

		March 31, 2022			December 31, 2021		
	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	10.6	$ 22,052	$ (16,691)	$ 5,361	$ 22,127	$ (16,495)	$ 5,632
Trade name	3.1	2,474	(1,446)	1,028	2,441	(1,237)	1,204
Software	3.0	3,110	(1,037)	2,073	3,110	(777)	2,333
Total intangible assets	7.8	$ 27,636	$ (19,174)	$ 8,462	$ 27,678	$ (18,509)	$ 9,169

Intangible asset amortization expense for the three months ended March 31, 2022 and 2021 was $0.8 million and $0.2 million, respectively.

The Company's estimated future amortization expense related to intangible assets as of March 31, 2022, for the years ended December 31 is as follows:

2022	$ 2,113
2023	2,735
2024	1,155
2025	764
2026	527
Thereafter	1,168
Total	$ 8,462

9. Other Current Assets and Liabilities

The components of other current assets are as follows:

	March 31, 2022	December 31, 2021
Contract assets	$ 41,073	$ 36,942
Other	6,073	4,507
Total other current assets	$ 47,146	$ 41,449

The components of other current liabilities are as follows:

	March 31, 2022	December 31, 2021
Earnout liability	$ 26,949	$ —
Other	27,033	24,554
Total other current liabilities	$ 53,982	$ 24,554

10. Line of Credit

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

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

As of March 31, 2022 and December 31, 2021, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the Amendment and no event of default existed.

11. Stock-Based Compensation

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

As of March 31, 2022, 3,650,461 awards have been issued under the Third A&R Program, including 748,407 forfeited awards, and 447,946 shares remain available for future awards. The Third A&R Program provides that no awards can be granted after May 28, 2028.

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

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

	Three Months Ended March 31,	
	2022	2021
Salaries and benefits (1)	$ 2,904	$ 5,461
Income tax benefit related to stock-based compensation included in net income	790	1,453

(1) Includes $0.8 million of income and $2.5 million of expense related to cash settled restricted stock units for the three months ended March 31, 2022 and 2021, respectively.

Restricted Stock Units

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

Restricted stock unit activity for the three months ended March 31, 2022 is as follows:

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2021	727,651	$ 31.32
Granted	180,429	38.24
Vested and converted to common stock	(141,627)	32.26
Forfeited	(3,530)	37.26
Outstanding on March 31, 2022	762,923	$ 32.76

As of March 31, 2022, there was $12.3 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.6 years.

Performance Stock Units

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

Performance stock unit activity for the three months ended March 31, 2022 is as follows:

	Number of Performance Stock Units		Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2021	232,857	$	32.29
Granted	97,379		38.75
Vested and converted to common stock	(69,784)		40.77
Forfeited	—		—
Outstanding on March 31, 2022	260,452	$	32.43

As of March 31, 2022, there was $7.5 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 2.1 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 classifies the awards as liability awards, which are measured at fair value at each reporting date and the vested portion of the award is recognized as a liability to the extent that the service condition is deemed probable. The fair value of the phantom stock awards on the balance sheet date is determined using the closing share price of the Company's common stock on that date.

The Company recorded phantom stock-based compensation income of $0.8 million and expense of $2.5 million during the three months ended March 31, 2022 and 2021, respectively.

Phantom stock unit activity for the three months ended March 31, 2022 is as follows:

	Number of Phantom Stock Units
Outstanding on December 31, 2021	348,863
Granted	—
Vested	—
Forfeited	—
Outstanding on March 31, 2022	348,863

As of March 31, 2022, there was $3.1 million of pre-tax unrecognized compensation expense related to unvested phantom stock units, which is expected to be recognized over a weighted average of 2.5 years.

12. Restructuring

During the year ended December 31, 2020, the Company implemented a restructuring plan (the "2020 Plan") to optimize future growth and profitability. The primary components of the 2020 Plan included a workforce reduction, a reduction of the Company's real estate expenses and professional fees, and the elimination of certain deferred compensation programs. The Company continued to incur charges related to the 2020 Plan during the year ended December 31, 2021, which primarily related to finalizing a reduction of the Company's real estate footprint.

The Company did not incur any charges during the three months ended March 31, 2022 and does not anticipate incurring any future charges under the 2020 Plan.

Restructuring charges (reversals) for the three months ended March 31, 2021 by type of charge (reversal) and operating segment are as follows:

	Executive Search					
	Americas	Europe	Asia Pacific	Heidrick Consulting	Global Operations Support	Total
Employee related	$ 19	$ (52)	$ (124)	$ (44)	$ 7	$ (194)
Office related	3,676	—	—	366	—	4,042
Other	3	—	—	—	10	13
Total	$ 3,698	$ (52)	$ (124)	$ 322	$ 17	$ 3,861

Restructuring charges incurred to date under the 2020 Plan, which are solely comprised of prior period charges, by type of charge and reportable segment are as follows:

	Executive Search					
	Americas	Europe	Asia Pacific	Heidrick Consulting	Global Operations Support	Total
Employee related	$ 16,226	$ 8,256	$ 4,110	$ 2,589	$ 1,416	$ 32,597
Office related	18,101	226	374	2,352	1,819	22,872
Other	34	24	6	71	560	695
Total	$ 34,361	$ 8,506	$ 4,490	$ 5,012	$ 3,795	$ 56,164

As part of the Company's reduction in real estate expenses under the 2020 Plan, a lease component related to one of the Company's offices was abandoned. In September 2021, the Company entered into a termination and surrender agreement for this lease component. Under the terms of the agreement, the Company made a one-time payment of $11.7 million to release the Company from all remaining obligations under the lease. At the time of payment, the Company had accrued approximately $17.4 million of lease liabilities related to future payments under the remaining lease term. Upon making the one-time payment, the lease liabilities were relieved, resulting in a gain on termination of approximately $5.7 million, which is recorded in *Restructuring charges* in the Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2021.

Changes in the restructuring accrual for the three months ended March 31, 2022 were as follows:

	Employee Related	Office Related	Other	Total
Accrual balance at December 31, 2021	8,394	—	—	8,394
Cash payments	(4,843)	—	—	(4,843)
Non-cash write-offs	(34)			(34)
Exchange rate fluctuations	(18)	—	—	(18)
Accrual balance at March 31, 2022	$ 3,499	$ —	$ —	$ 3,499

Restructuring accruals are recorded within current *Accrued salaries and benefits* as of March 31, 2022.

13. Income Taxes

The Company reported income before taxes of $27.9 million and an income tax provision of $9.4 million for the three months ended March 31, 2022. The Company reported income before taxes of $22.8 million and an income tax provision of $7.9 million for the three months ended March 31, 2021. The effective tax rates for the three months ended March 31, 2022 and 2021, were 33.7% and 34.9%, respectively. The effective tax rates for the three months ended March 31, 2022 and 2021 were each impacted by one-time items and the mix of income.

14. Changes in Accumulated Other Comprehensive Income

The changes in *Accumulated other comprehensive income* ("AOCI") by component for the three months ended March 31, 2022 are as follows:

	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2021	$ 4,294	$ (2,619)	$ 1,675
Other comprehensive loss before classification, net of tax	(1,082)	—	(1,082)
Balance at March 31, 2022	$ 3,212	$ (2,619)	$ 593

15. Segment Information

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

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

Revenue and operating income by segment are as follows:

	Three Months Ended March 31,	
	2022	2021
Revenue		
Executive Search		
Americas	$ 162,553	$ 116,506
Europe	49,745	37,643
Asia Pacific	30,251	25,469
Total Executive Search	242,549	179,618
On-Demand Talent	23,381	—
Heidrick Consulting	17,931	14,038
Revenue before reimbursements (net revenue)	283,861	193,656
Reimbursements	1,676	1,075
Total revenue	$ 285,537	$ 194,731

	Three Months Ended March 31,	
	2022	2021
Operating income		
Executive Search		
Americas (1)	$ 39,851	$ 26,256
Europe (2)	5,403	4,540
Asia Pacific (3)	5,054	4,144
Total Executive Search	50,308	34,940
On-Demand Talent	(582)	—
Heidrick Consulting (4)	(2,084)	(4,710)
Total segment operating income	47,642	30,230
Research and Development	(4,402)	—
Global Operations Support (5)	(13,008)	(10,622)
Total operating income	$ 30,232	$ 19,608

(1) Includes restructuring charges of $3.7 million for the three months ended March 31, 2021.
(2) Includes restructuring reversals of $0.1 million for the three months ended March 31, 2021.
(3) Includes restructuring reversals of $0.1 million for the three months ended March 31, 2021.
(4) Includes restructuring charges of $0.3 million for the three months ended March 31, 2021.
(5) Includes restructuring charges of less than $0.1 million for the three months ended March 31, 2021.

16. Guarantees

The Company has utilized letters of credit to support certain obligations, primarily for its office lease agreements. The letters of credit were made to secure the respective agreements and are for the terms of the agreements, which extend through 2033. For each letter of credit issued, the Company would have to use cash to fulfill the obligation if there is a default on a payment. The maximum amount of undiscounted payments the Company would be required to make in the event of default on all outstanding letters of credit is approximately $4.4 million as of March 31, 2022. The Company has not accrued for these arrangements as no event of default exists or is expected to exist.

17. 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 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this quarterly report on Form 10-Q contain forward-looking statements. 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. . Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "outlook," "projects," "forecasts," and similar expressions. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "outlook," "projects," "forecasts," and similar expressions. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

Factors that may cause actual outcomes and results to differ materially from what is expressed, forecasted or implied in the forward-looking statements include, among other things, the impacts, direct and indirect, of the COVID-19 pandemic (including the emergence of variant strains) on our business, our consultants and employees, and the overall economy; the impact on global or regional economies due to the outbreak or escalation of hostilities or war; leadership changes, our ability to attract, integrate, develop, manage and retain qualified consultants and senior leaders; our ability to prevent our consultants from taking our clients with them to another firm; our ability to maintain our professional reputation and brand name; the fact that our net revenue may be affected by adverse economic conditions; our clients' ability to restrict us from recruiting their employees; the aggressive competition we face; our heavy reliance on information management systems; the fact that we face the risk of liability in the services we perform; the fact that data security, data privacy and data protection laws and other evolving regulations and cross-border data transfer restrictions may limit the use of our services and adversely affect our business; social, political, regulatory and legal risks in markets where we operate; any challenges to the classification of our on-demand talent as independent contractors; the impact of foreign currency exchange rate fluctuations; the fact that we may not be able to align our cost structure with net revenue; unfavorable tax law changes and tax authority rulings; our ability to realize our tax losses; the timing of the establishment or reversal of valuation allowance on deferred tax assets; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; the fact that we have anti-takeover provisions that make an acquisition of us difficult and expensive; our ability to access additional credit; and the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data. For more information on the factors that could affect the outcome of forward-looking statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2021, under the heading "Risk Factors" in Item 1A, and other filings with the Securities and Exchange Commission ("SEC"). We caution the reader that the list of factors may not be exhaustive. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

Our Business. Heidrick & Struggles International, Inc. (the "Company," "we," "us," or "our") is a human capital leadership advisory firm providing executive search, consulting and on-demand talent services to businesses and business leaders worldwide by helping them to improve the effectiveness of their leadership teams. We provide our services to a broad range of clients through the expertise of over 460 consultants located in major cities around the world. The Company and its predecessors have been leadership advisors for more than 60 years.

Our service offerings include the following:

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

We believe focusing on top-level senior executives provides the opportunity for several competitive advantages including access to and influence with key decision makers, increased potential for recurring search and consulting engagements, higher fees per search, enhanced brand visibility, and a leveraged global footprint. Working at the top of client organizations also facilitates the attraction and retention of high-caliber consultants who desire to serve top industry executives and their leadership needs. Our executive search services derive revenue through the fees generated for each search engagement, which generally are based on the annual compensation for the placed executive. We provide our executive search services primarily on a retained basis.

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

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

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

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

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

Heidrick Consulting. As a complement and extension of our search services, we partner with organizations through Heidrick Consulting to unlock the power of their people. Our tools and experts use data and technology to bring science to the art of human capital development and organizational design. Our services allow our clients to accelerate their strategies and the effectiveness of individual leaders, teams and organizations as a whole.

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

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

Key Performance Indicators

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

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

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

Our Compensation Model

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

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

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

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

Second Quarter 2022 Outlook

We are currently forecasting 2022 second quarter net revenue of between $290 million and $300 million, while acknowledging that some continued fluidity in external factors such as foreign conflicts, the interest rate environment, and the COVID-19 pandemic may impact quarterly results to some extent. In addition, this outlook is based on the average currency rates in March 2022 and reflects, among other factors, management's assumptions for the anticipated volume of new Executive

Search confirmations, On-Demand Talent projects, Heidrick Consulting assignments, and the current backlog, consultant productivity, consultant retention, and the seasonality of the business.

Our 2022 second quarter guidance is subject to a number of risks and uncertainties, including those discussed under Item 1A - Risk Factors in our 2021 Annual Report on Form 10-K, as updated in our subsequent quarterly reports on Form 10-Q and in our other filings with the SEC. As such, actual results could vary from these projections.

Results of Operations

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

	Three Months Ended March 31,	
	2022	**2021**
Revenue		
Revenue before reimbursements (net revenue)	100.0 %	100.0 %
Reimbursements	0.6	0.6
Total revenue	100.6	100.6
Operating expenses		
Salaries and benefits	71.0	73.0
General and administrative expenses	10.5	14.1
Cost of services	6.3	0.8
Research and development	1.6	—
Restructuring charges	—	2.0
Reimbursed expenses	0.6	0.6
Total operating expenses	89.9	90.4
Operating income	10.7	10.1
Non-operating income (expense)		
Interest, net	—	—
Other, net	(0.9)	1.6
Net non-operating income	(0.8)	1.6
Income before income taxes	9.8	11.8
Provision for income taxes	3.3	4.1
Net income	6.5 %	7.7 %

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

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

	Three Months Ended March 31,	
	2022	2021
Revenue		
Executive Search		
Americas	$ 162,553	$ 116,506
Europe	49,745	37,643
Asia Pacific	30,251	25,469
Total Executive Search	242,549	179,618
On-Demand Talent	23,381	—
Heidrick Consulting	17,931	14,038
Revenue before reimbursements (net revenue)	283,861	193,656
Reimbursements	1,676	1,075
Total revenue	$ 285,537	$ 194,731

	Three Months Ended March 31,	
	2022	2021
Operating income		
Executive Search		
Americas (1)	$ 39,851	$ 26,256
Europe (2)	5,403	4,540
Asia Pacific (3)	5,054	4,144
Total Executive Search	50,308	34,940
On-Demand Talent	(582)	—
Heidrick Consulting (4)	(2,084)	(4,710)
Total segment operating income	47,642	30,230
Research and Development	(4,402)	—
Global Operations Support (5)	(13,008)	(10,622)
Total operating income	$ 30,232	$ 19,608

(1) Includes restructuring charges of $3.7 million for the three months ended March 31, 2021.
(2) Includes restructuring reversals of $0.1 million for the three months ended March 31, 2021.
(3) Includes restructuring reversals of $0.1 million for the three months ended March 31, 2021.
(4) Includes restructuring charges of $0.3 million for the three months ended March 31, 2021.
(5) Includes restructuring charges of less than $0.1 million for the three months ended March 31, 2021.

Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021

Total revenue. Consolidated total revenue increased $90.8 million, or 46.6%, to $285.5 million for the three months ended March 31, 2022, from $194.7 million for the three months ended March 31, 2021. The increase in total revenue was primarily due to the increase in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue increased $90.2 million, or 46.6%, to $283.9 million for the three months ended March 31, 2022 from $193.7 million for the three months ended March 31, 2021. Foreign exchange rate fluctuations negatively impacted results by $3.8 million, or 2.0%. Executive Search net revenue was $242.5 million for the three months ended March 31, 2022, an increase of $62.9 million, or 35.0%, compared to the three months ended March 31, 2021. The increase in Executive Search net revenue was primarily due to a 23.1% increase in the number of confirmed searches compared to the prior year. Heidrick Consulting net revenue increased $3.9 million, or 27.7%, to $17.9 million for the three months ended March 31, 2022. The increase in Heidrick Consulting revenue was primarily due to a 56.2% increase in the number of consulting engagements compared to the prior year. The acquisition of On-Demand Talent, completed in the second quarter of 2021, contributed $23.4 million to the increase in net revenue for the three months ended March 31, 2022.

The number of Executive Search and Heidrick Consulting consultants was 394 and 70, respectively, as of March 31, 2022, compared to 373 and 64, respectively, as of March 31, 2021. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $2.5 million and $1.9 million for the three months ended March 31, 2022 and 2021, respectively. The average revenue per executive search increased to approximately $124,000 from $113,000 in the prior year.

Salaries and benefits. Consolidated salaries and benefits expense increased $60.1 million, or 42.5%, to $201.4 million for the three months ended March 31, 2022, from $141.4 million for the three months ended March 31, 2021. Fixed compensation increased $3.6 million due to base salaries and payroll taxes, partially offset by decreases in the deferred compensation plan and stock compensation. Variable compensation increased $56.5 million due to higher bonus accruals related to increased consultant productivity. Foreign exchange rate fluctuations positively impacted results by $3.0 million, or 2.1%.

For the three months ended March 31, 2022, we had an average of 1,900 employees compared to an average of 1,583 employees for the three months ended March 31, 2021.

As a percentage of net revenue, salaries and benefits expense was 71.0% for the three months ended March 31, 2022, compared to 73.0% for the three months ended March 31, 2021.

General and administrative expenses. Consolidated general and administrative expenses increased $2.4 million, or 8.9%, to $29.8 million for the three months ended March 31, 2022, from $27.4 million for the three months ended March 31, 2021. The increase in general and administrative expenses was due to business development travel, intangible amortization, earnout accretion, information technology, and bad debt, partially offset by decreases in office occupancy and the use of external third-party consultants. Foreign exchange rate fluctuations positively impacted results by $0.4 million, or 1.5%.

As a percentage of net revenue, general and administrative expenses were 10.5% for the three months ended March 31, 2022, compared to 14.1% for the three months ended March 31, 2021.

Cost of services. Consolidated cost of services increased $16.5 million to $18.0 million for the three months ended March 31, 2022, from $1.5 million for the three months ended March 31, 2021. The increase is primarily due to the acquisition of On-Demand Talent. As a percentage of net revenue, cost of services was 6.3% for the three months ended March 31, 2022, compared to 0.8% for the three months ended March 31, 2021.

Research and development. The Company incurred approximately $4.4 million in research and development costs associated with the development of new products during the three months ended March 31, 2022. Research and development consists of payroll, employee benefits, stock-based compensation, other employee expenses and third-party professional fees associated with new product development.

Restructuring charges. The Company incurred approximately $3.9 million in restructuring charges during the three months ended March 31, 2021. In 2020, the Company announced a restructuring plan including a workforce reduction, a reduction of the Company’s real estate expenses and professional fees, and the future elimination of certain deferred compensation programs. The charges incurred during the three months ended March 31, 2021 primarily relate to a reduction in the Company's real estate footprint. The charges are recorded within *Restructuring charges* in the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2021.

Operating income. Consolidated operating income was $30.2 million for the three months ended March 31, 2022, compared to $19.6 million, including restructuring charges of $3.9 million, for the three months ended March 31, 2021. Foreign exchange rate fluctuations negatively impacted operating income by $0.5 million, or 1.8%.

Net non-operating income (expense). Net non-operating expense was $2.4 million for the three months ended March 31, 2022, compared to net non-operating income of $3.2 million for the three months ended March 31, 2021.

Interest, net, was $0.1 million of income for each of the three months ended March 31, 2022 and 2021.

Other, net, was $2.5 million of expense for the three months ended March 31, 2022, compared to $3.1 million of income for the three months ended March 31, 2021. The expense in the current year is primarily due to a $2.2 million unrealized loss on the deferred compensation plan. The income in the prior year is due to a $1.7 million gain on warrants received in exchange for executive search services performed in prior periods and a $1.0 million gain on the Company's deferred compensation plan. The Company's investments, including those held in the Company’s deferred compensation plan, are recorded at fair value.

Income taxes. See Note 13, *Income Taxes*.

Executive Search

Americas

The Americas segment reported net revenue of $162.6 million for the three months ended March 31, 2022, an increase of 39.5% from $116.5 million for the three months ended March 31, 2021. The increase in net revenue was primarily due to a 22.8% increase in the number of executive search confirmations from the prior year and an increase in the average revenue per executive search. All practice groups exhibited growth over the prior year. Foreign exchange rate fluctuations positively impacted results by $0.2 million, or 0.1%. There were 205 Executive Search consultants as of March 31, 2022, compared to 194 as of March 31, 2021.

Salaries and benefits expense increased $35.8 million, or 46.7%, compared to the three months ended March 31, 2021. Fixed compensation decreased $1.4 million due to the deferred compensation plan and stock compensation, partially offset by increases in base salaries and payroll taxes. Variable compensation increased $37.2 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses increased $0.3 million, or 3.4%, compared to the three months ended March 31, 2021, due to business development travel, bad debt, and other operating expense, partially offset by decreases in office occupancy, the use of external third-party consultants, and market data analysis tools.

Restructuring charges for the three months ended March 31, 2021 were $3.7 million. The charges are primarily related to a reduction in the Company's real estate footprint.

The Americas reported operating income of $39.9 million for the three months ended March 31, 2022, an increase of $13.6 million compared to $26.3 million, including restructuring charges of $3.7 million, for the three months ended March 31, 2021.

Europe

Europe reported net revenue of $49.7 million for the three months ended March 31, 2022, an increase of 32.1% from $37.6 million for the three months ended March 31, 2021. The increase in net revenue was primarily due to a 30.1% increase in the number of executive search confirmations. All practice groups exhibited growth over the prior year with the exception of Healthcare and Life Sciences. Foreign exchange rate fluctuations negatively impacted results by $2.7 million, or 7.1%. There were 116 Executive Search consultants as of March 31, 2022, compared to 104 as of March 31, 2021.

Salaries and benefits expense increased $10.8 million, or 39.1%, compared to the three months ended March 31, 2021. Fixed compensation increased $0.5 million due to retirement and benefits, base salaries and payroll taxes, and talent acquisition and retention costs, partially offset by a decrease in stock compensation. Variable compensation increased $10.3 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expense increased $0.4 million, or 7.2%, compared to the three months ended March 31, 2021, due to business development travel, hiring fees, and bad debt, partially offset by a decrease in office occupancy.

Europe reported operating income of $5.4 million for the three months ended March 31, 2022, an increase of $0.9 million compared to $4.5 million, including a restructuring credit of $0.1 million, for the three months ended March 31, 2021.

Asia Pacific

Asia Pacific reported net revenue of $30.3 million for the three months ended March 31, 2022, an increase of 18.8% compared to $25.5 million for the three months ended March 31, 2021. The increase in net revenue was primarily due to a 14.5% increase in the number of executive search confirmations. All practice groups exhibited growth over the prior year with the exception of Healthcare and Life Sciences, and Industrial. Foreign exchange rate fluctuations negatively impacted results by $1.0 million, or 3.7%. There were 73 Executive Search consultants at March 31, 2022, compared to 75 at March 31, 2021.

Salaries and benefits expense increased $4.0 million, or 22.9%, compared to the three months ended March 31, 2021. Fixed compensation decreased $0.9 million due to base salaries and payroll taxes, and stock compensation, partially offset by increases in retirement and benefits. Variable compensation increased $4.8 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $0.2 million, or 5.7%, compared to the three months ended March 31, 2021, primarily due to office occupancy, partially offset by increases in professional services and business development travel.

Asia Pacific reported operating income of $5.1 million for the three months ended March 31, 2022, an increase of $0.9 million compared to $4.1 million, including a restructuring credit of $0.1 million, for the three months ended March 31, 2021.

On-Demand Talent

On-Demand Talent reported net revenue of $23.4 million for the three months ended March 31, 2022.

Salaries and benefits expense was $5.3 million for the three months ended March 31, 2022, primarily due to base salaries and payroll taxes, and talent acquisition and retention costs.

General and administrative expense was $2.3 million for the three months ended March 31, 2022, due to intangible amortization, earnout accretion, professional fees, and information technology.

Cost of services was $16.4 million for the three months ended March 31, 2022, and consists of third-party contractor costs related to the delivery of various on-demand services.

On-Demand Talent reported operating loss of $0.6 million for the three months ended March 31, 2022.

Heidrick Consulting

Heidrick Consulting reported net revenue of $17.9 million for the three months ended March 31, 2022, an increase of 27.7% compared to $14.0 million for the three months ended March 31, 2021. The increase in net revenue was primarily due to an 56.2% increase in the number of consulting engagements. Foreign exchange rate fluctuations negatively impacted results by $0.3 million, or 2.4%. There were 70 Heidrick Consulting consultants at March 31, 2022 compared to 64 at March 31, 2021.

Salaries and benefits expense increased $2.0 million, or 15.4%, compared to the three months ended March 31, 2021. Fixed compensation decreased $0.5 million due to retirement and benefits, and talent acquisition and retention costs, partially offset by increases in base salaries and payroll taxes. Variable compensation increased $2.5 million due to higher bonus accruals related to increased consultant productivity.

General and administrative expenses decreased $0.5 million, or 13.8%, compared to the three months ended March 31, 2021, primarily due to professional fees and hiring fees, partially offset by increases in business development travel and market data analysis tools.

Cost of services increased $0.1 million, or 7.1%, compared to the three months ended March 31, 2021, due to an increase in the number of consulting engagements.

Restructuring charges for the three months ended March 31, 2021 were $0.3 million. The charges are primarily related to a reduction in the Company's real estate footprint.

Heidrick Consulting reported an operating loss of $2.1 million for the three months ended March 31, 2022, an improvement of $2.6 million compared to an operating loss of $4.7 million, including restructuring charges of $0.3 million, for the three months ended March 31, 2021.

Global Operations Support

Global Operations Support expenses for the three months ended March 31, 2022, increased $2.4 million, or 22.5%, to $13.0 million from $10.6 million for the three months ended March 31, 2021.

Salaries and benefits expense increased $2.2 million, or 33.7%, due to base salaries and payroll taxes, stock compensation, and variable compensation, partially offset by decreases in retirement and benefits.

General and administrative expenses increased $0.2 million, or 4.4%, due to business development travel, information technology, and taxes and licenses, partially offset by decreases in professional services, office occupancy.

Liquidity and Capital Resources

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

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

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

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

As of March 31, 2022 and December 31, 2021, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the Amendment and no event of default existed.

Cash, cash equivalents and marketable securities. Cash, cash equivalents and marketable securities at March 31, 2022, December 31, 2021, and March 31, 2021 were $268.0 million, $545.2 million and $184.1 million, respectively. The $268.0 million of cash, cash equivalents and marketable securities at March 31, 2022, includes $116.7 million held by our foreign subsidiaries. A portion of the $116.7 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the U.S., the repatriation of these funds could cause us to incur additional U.S. income taxes or foreign withholding taxes.

Cash flows used in operating activities. Cash used in operating activities was $262.2 million for the three months ended March 31, 2022, primarily reflecting a decrease in accrued expenses of $227.4 million and an increase in accounts receivable of $53.1 million, partially offset by net income net of non-cash charges of $24.7 million. The decrease in accrued expenses is primarily due to cash bonus payments related to 2021 and prior year cash bonus deferrals of $383.1 million, partially offset by 2022 bonus accruals.

Cash used in operating activities was $142.6 million for the three months ended March 31, 2021, primarily reflecting a decrease in accrued expenses of $116.3 million and an increase in accounts receivable of $41.2 million, partially offset by net income net of non-cash charges of $23.4 million. The decrease in accrued expenses is primarily due to cash bonus payments related to 2020 and prior year cash bonus deferrals of $200.3 million, partially offset by 2021 bonus accruals.

Cash flows provided by (used in) investing activities. Cash used in investing activities was $6.1 million for the three months ended March 31, 2022, due to capital expenditures of $1.8 million related to office build-outs, and the purchase of marketable securities and investments of $5.0 million, partially offset by the proceeds from sales of marketable securities and investments of $1.0 million.

Cash provided by investing activities was $17.9 million for the three months ended March 31, 2021, due to proceeds from the sale of marketable securities and investments of $20.1 million, partially offset by purchases of marketable securities and investments of $1.4 million, and capital expenditures of $0.9 million related to office build-outs.

Cash flows used in financing activities. Cash used in financing activities was $6.3 million for the three months ended March 31, 2022, due to dividend payments of $3.1 million and employee tax withholding payments on equity transactions of $3.2 million.

Cash used in financing activities was $6.2 million for the three months ended March 31, 2021, due to dividend payments of $3.1 million and employee tax withholding payments on equity transactions of $3.1 million.

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

Application of Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared using accounting principles generally accepted in the United States of America. Our significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the U.S. Securities and Exchange Commission ("SEC") on February 28, 2022, and in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Condensed Consolidated Financial Statements included in Item 1. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes its critical accounting policies that reflect its more significant estimates and assumptions relate to revenue recognition, income taxes, interim effective tax rate and assessment of goodwill and other intangible assets for impairment. See *Application of Critical Accounting Policies and Estimates* in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 28, 2022.

Recently Issued and Adopted Financial Accounting Standards

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency market risk. With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets and liabilities are denominated in currencies other than the U.S. dollar, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. As the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. A 10% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our net income by approximately $0.8 million for the three months ended March 31, 2022. For financial information by segment, see Note 15, *Segment Information*, in the Notes to Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

Management of the Company, with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of March 31, 2022. 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 March 31, 2022.

(b) Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the three months ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information presented in Note 17, *Commitments and Contingencies*, to our Condensed Consolidated Financial Statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of the Company's 2021 Annual Report on Form 10-K under the heading “Risk Factors,” any one or more of which could, directly or indirectly, cause the Company’s actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price. There have been no material changes to the Company’s risk factors from those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the SEC on February 28, 2022.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date/Period End Date
*10.1	Employment Agreement between Heidrick & Struggles International, Inc. and Tracey Heaton dated October 31, 2021**			
10.2	Heidrick & Struggles International, Inc. Management Severance Pay Plan and Summary Plan Description, As Amended and Restated April 12, 2022**	8-K	10.1	April 15, 2022
*31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*31.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
*32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*32.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
*101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data Files because its XBRL tags are embedded within the Inline XBRL document			
*101.SCH	Inline XBRL Taxonomy Extension Schema Document			
*101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document			
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.

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

SIGNATURE

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

Date: April 25, 2022

Heidrick & Struggles International, Inc.
(Registrant)

/s/ Stephen A. Bondi

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

233 S. Wacker Drive Suite 4900
Chicago, Illinois 60610 telephone
+1 (312) 496-1200 facsimile
+1(312) 496-1297
www.heidrick.com

October 31, 2021

Tracey Heaton
Address on File with the Company

Dear Tracey:

On behalf of Heidrick & Struggles, Inc. ("HSII" or the "Company"), I am pleased to confirm the terms of your employment arrangement in this letter agreement (the "Agreement"). All amounts in this Agreement are denominated in U.S. dollars. This offer of employment is subject to the satisfactory completion of references and a background check.

1. <u>Effective Date:</u> The new terms of your employment are effective as of November 15, 2021 (the "Effective Date").

2. <u>Title:</u> You will serve as Chief Legal Officer & Corporate Secretary and you will report to the Chief Executive Officer. You agree that you will devote your full time, energy, and skill to the business of the Company and to the promotion of the Company's best interest, and shall not work or perform services for any other employer as an employee, consultant or otherwise during the term of your employment.

3. <u>Location:</u> You will be based in the Company's New York office.

4. <u>Base Salary:</u> You will receive a monthly salary of $33,333.33 (which is equivalent to $400,000 annually) payable at the end of each month.

5. <u>Management Incentive Plan (MIP) Participation.</u> You will be eligible to participate in the MIP (the Company's annual bonus program operated pursuant to the Company's shareholder approved Incentive Plan) at the Tier 1 level. You will be eligible for a target annual incentive award under the MIP equal to 75% of your base salary (the **"<u>Target Bonus Amount</u>"),** subject to your continued employment with the Company and pursuant to the terms of the MIP and the Company's Incentive Plan, as amended from time to time. Performance goals under the MIP will be established annually by the Human Resources and Compensation Committee of the Board (the **"HRCC").** The bonus is discretionary and is not earned until approved by HRCC. Bonuses are only payable If you are employed by the Company on the date such bonus is paid, except at the sole discretion of management.

6. <u>Incentive Compensation and Other Plans:</u> You will be eligible to participate in other management compensation plans, including the Company's 2012 GlobalShare Program (the "GlobalShare Program"). In addition, you will be eligible to participate in the Change in Control Severance Plan and the Management Severance Pay Plan, as such plans may be amended from time to time (the "CIC Severance Plan" and the "Base Severance Plan", respectively, and together the "Severance Plans"),

7. <u>Annual Long-Term Incentive Awards:</u> You will receive consideration for annual long-term incentive grants as part of your performance and compensation review under the Company's long-term incentive plan for senior executives of the Company. Annual long-term incentive awards are subject to the approval of the HRCC. Based on the Company's current program design, your first annual grant, which is March 2022, will have a grant date target value equal to $350,000 (88% of base salary) and are made up of 50% of restricted stock units (time vesting only) and 50% of performance stock units. Performance conditions for the performance stock units under the annual long-term incentive program will be established annually by the HRCC.

8. Benefits: You will be eligible to participate in the Company's benefits program to the same extent as other executives at your level. Our benefits program includes group health, dental, vision, life/AD&D, long-term disability, short-term disability salary continuation, flexible spending accounts, the Heidrick & Struggles, Inc. 401(k) Profit Sharing and Retirement Plan, and the Deferred Compensation Plan. You will also be eligible to participate in the Company's Physical Examination and Financial Planning Program. Your eligibility for all such programs and plans is determined under the terms of those programs/plans. Any discrepancy between this summary and the company's plan documents will be resolved in favor of the plan documents. Our benefits program, compensation programs and policies are reviewed from time to time by Company management and may be modified, amended, or terminated at any time.

9. Additional Compensation. In addition to your eligibility to participate in the incentive and bonus programs outlined above, the Company will provide you with the following:

    - Sign-On Payment. A Sign-on Payment in the amount of $250,000 gross which will be comprised of (1) $125,000 cash payment, less deductions required by law, within thirty (30) days following your first day of employment, on the next applicable payroll period. This award may be subject to certain repayment obligations based upon your decision to leave Heidrick, or improper conduct during your employment as described in Paragraph 10 below; (2) An equity award with a grant date fair value of $125,000, with an anticipated grant date in December 2021. The equity award shall be granted as Restricted Stock Units and subject to 3-year ratable vesting and in accordance with the terms of the GlobalShare Program

10. Repayment Obligations: As mentioned above, the payment detailed in 9.1. of this agreement may be subject to certain repayment obligations. Should you resign from Heidrick for any reason or be terminated for Cause within two years of the date this payment is made to you, you agree to reimburse Heidrick the amount of any such payment, reduced on a pro-rated basis by one twenty fourth (1/24th) per full month from the date of payment, within thirty (30) business days following your termination date. For purposes of this Paragraph, the term “Cause” is defined in section 13.d. of this agreement.

11. Business Expenses: The Company will reimburse you for your business expenses in accordance with its policies.

12. Compliance with Policies: Subject to the terms of this Agreement, you agree that you will comply in all material respects with all policies and procedures applicable to similarly situated employees of the Company, generally and specifically and as modified and amended from time to time following notice to you.

13. Termination of Employment:

    a. Employment at Will: You will be an "employee at will" of the Company, meaning that either party may terminate the employment relationship at any time for any reason (with or without Cause or reason) upon written notice to the other party. A period of notice shall only be required if it is expressly provided in writing under written Company employment policies in effect at the time of such termination, and the Company reserves the right to pay you severance in the form of salary continuation payments in lieu of any such required notice.

    b. No Notice Period in Case of Termination for Cause: Notwithstanding any period of notice under written Company employment policies in effect at the time of termination, the Company shall have the right to terminate your employment for Cause immediately upon written notice.

    c. Compensation Upon Termination: Upon the termination of your employment, you will be paid your Base Salary up through your last day of work (the "Termination Date"), any amounts due under the Company's benefit plans and programs in accordance with their respective terms (including but not limited to the GlobalShare Program, the Change in Control Severance Plan, and the Management Severance Pay Plan, as applicable), reimbursement of all business expenses in accordance with the Company's policies, and any other amounts required by law.

    d. Definition of Cause: For purposes of this Agreement, "Cause" shall mean any of the following: (i) your engagement, during the performance of your duties hereunder, in acts or omissions constituting dishonesty, gross negligence, fraud, intentional breach of fiduciary obligation or intentional wrongdoing or malfeasance; (ii) your indictment of, or plea of nolo contendere to, a crime constituting a (x) a felony under the laws of the United States or any state thereof or (y) misdemeanor involving moral turpitude; (iii) your material violation or breach of any provision of this Agreement and failure to cure within thirty (30) days of receipt of notice of the violation/breach (where such cure is possible); (iv) your unauthorized use or disclosure of confidential information pertaining to the Company's business in violation of this Agreement or Company policy; (v) any knowing or negligent act or omission by you or at your direction which results in the restatement of the financial statements of HSII or a subsidiary of 1-1SII; (vi) your engagement in conduct causing demonstrable injury to the Company or its reputation; (vii) your unreasonable failure or refusal to perform your duties as the Company reasonably requires, to meet goals reasonably established by the Company or its affiliates, or to abide by the Company's policies for the operation of its business, and the continuation thereof after the receipt by you of written notice from the Company and failure to cure within thirty (30) days of receipt of the notice (where such cure is possible); (viii) your habitual or gross use of alcohol or controlled substances which interferes with the performance of your duties and obligations on behalf of the Company; or (ix) your death or Disability, as hereinafter defined. For purposes of this Agreement, "Disability" shall mean that you have been unable, for six (6) consecutive months, to perform your duties under this Agreement even with accommodation, because of physical or mental illness or injury. The determination of whether you have been terminated for "Cause" will be made at the sole discretion of the HRCC.

e. Return of Materials: Upon the termination of your employment, you agree to return to the Company, all Company property, including all materials furnished to you during your employment (including but not limited to keys, computers, automobiles, electronic communication devices, files and identification cards) and all materials created by you during your employment. In addition, you agree that upon the termination of your employment you will provide the Company with all passwords and similar information for Company-provided systems and programs that will be necessary for the Company to access materials on which you worked or to continue in its business.

14. Confidentiality: In the course of your employment with the Company, you will be given access to and otherwise obtain knowledge of certain trade secrets and confidential and proprietary information pertaining to the business of the Company and its affiliates. During the term of your employment with the Company and thereafter, you will not, directly or indirectly, without the prior written consent of the Company, disclose or use for the benefit of any person, corporation or other entity, or for yourself, any trade secrets or other confidential or proprietary information concerning the Company or its affiliates, including, but not limited to, information pertaining to their clients, services, products, earnings, finances, operations, marketing, methods or other activities; provided, however, that the foregoing shall not apply to information which is of public record or is generally known, disclosed or available to the general public or the industry generally (other than as a result of your breach of this covenant or the breach by another employee of his or her confidentiality obligations). Notwithstanding the foregoing, you may disclose such information as is required by law during any legal proceeding or to your personal representatives and professional advisers as is required for purposes of rendering tax or legal advice, and, with respect to such personal representatives and professional advisers, you shall inform them of your obligations hereunder and take all reasonable steps to ensure that such professional advisers do not disclose the existence or substance thereof. Further, you shall not, directly or indirectly, remove or retain, and upon termination of employment for any reason you shall return to the Company, any records, computer disks or files, computer printouts, business plans or any copies or reproductions thereof, or any information or instruments derived therefrom, arising out of or relating to the business of the Company and its affiliates or obtained as a result of your employment by the Company.

15. Non-Solicitation/Non-Competition. Without the prior written consent of the Company, during the term of your employment with the Company and for a period of twelve (12) months after the termination of your employment with the Company, either unilaterally by you or by the Company, you shall not (i) engage in any business activity which may require or inevitable require disclosure or use of Confidential Information; (ii) directly or Indirectly solicit, or assist any other person in soliciting, any employee of the Company or its affiliates (as your termination of employment with the Company) or any person who, as of such date, was in the process of being recruited by the Company or its affiliates, or induce any such employee to terminate his or her employment with the Company or its affiliates or (iii) hire or assist another in hiring any

employee of the Company or its affiliate who potentially possesses the Company’s or its Affiliate’s Confidential Information for a position where the employee’s knowledge of such information might be relevant. The provisions of this Section shall be in addition to any restrictive covenants that are set forth in or otherwise required by Company benefit plans. In the case of a discrepancy between this Section and any such restrictive covenant, the more restrictive language will apply.

16. Each of the restrictions contained in Section 15 constitutes an entirely separate and independent restriction on you and shall be read and construed independently of the other undertakings and agreements herein contained. You and the Company agree that the restrictions contained in Section 15 are reasonable in scope and duration and are necessary to protect the Company's confidential information and other business interests. If any provision of Section 15 as applied to any party or to any circumstance is adjudged by an arbitrator or court of competent jurisdiction to be invalid or unenforceable, the same will in no way affect any other circumstance or the validity or enforceability of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the scope, duration or geographic area covered thereby, the parties agree that the court or arbitrator making such determination will have the power to reduce the scope and/or duration and/or geographic area of such provision, and/or to delete or revise specific words or phrases, and in its modified form, such provision will then be enforceable and will be enforced.

17. The parties agree and acknowledge that the breach of Section 15 will cause irreparable damage to the Company, and upon actual or threatened breach of any provision of either Section the Company will be entitled to seek from a court of competent jurisdiction immediate injunctive relief, specific performance or other equitable relief without the necessity of posting a bond or other security and that this will in no way limit any other remedies which the Company may have (including, without limitation, the right to seek monetary damages).

18. <u>Other Legal Matters:</u>

    a. <u>No Other Agreements/Obligations:</u> You have advised the Company that your execution and performance of the terms of this Agreement do not and will not violate any other agreement binding on you or the rights of any third parties and you understand that in the event this advice is not accurate the Company will not have any obligation to you under this Agreement.

    b. <u>Negotiation of Agreement:</u> You acknowledge that you negotiated the terms of this Agreement with the Company and that you enter into this Agreement voluntarily.

    c. <u>Applicable Legal Standards:</u> You will be an employee of the Company's United States operations and agree that the laws of the United States of America and the State of New York shall govern your employment with the Company.

    d. <u>Notice:</u> All notices and other communications under this Agreement shall be in writing to you at the above-referenced address or to the Company at Its Chicago Headquarters, directed to the attention of the General Counsel.

    e. <u>Full and Complete Agreement:</u> This letter Agreement contains our entire understanding with respect to your employment and can be amended only in writing and signed by the Chief Executive Officer or General Counsel. This Agreement supersedes all prior agreements, whether written or oral, between you and the Company that are not specifically incorporated by reference herein. You and the Company specifically acknowledge that no promises or commitments have been made that are not set forth in this letter.

    f. <u>Severability:</u> If any provision of this Agreement or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of this Agreement that can be given effect without the invalid provision or application and, to such end, the provisions of this Agreement are declared to be severable.

    g. <u>Survival of Provisions:</u> The provisions of Sections 11 (b) and (c) and 12 through 15 of this Agreement shall survive the termination of your employment with the Company and the expiration or termination of this Agreement.

h. Protected Rights. Notwithstanding any other provision of this Agreement, nothing contained in this Agreement prohibits you from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or providing truthful testimony in response to a lawfully-issued subpoena or court order. Further, this Agreement does not limit your ability to communicate with any governmental agency or entity or otherwise participate in any investigation or proceeding that may be conducted by any governmental agency or entity, including providing non-privileged documents or other information, without notice to the Company.

Sincerely,

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

I hereby accept the terms and conditions of employment outlined in this Agreement.

/s/ Tracey Heaton
Tracey Heaton

October 31, 2021
Date

Copy: Sarah Payne, Chief Human Resources Officer

Exhibit 31.1

CERTIFICATION

I, Krishnan Rajagopalan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: April 25, 2022

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

Exhibit 31.2

CERTIFICATION

I, Mark R. Harris, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: April 25, 2022

/s/ Mark R. Harris

Mark R. Harris

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	April 25, 2022	/s/ Krishnan Rajagopalan
		Krishnan Rajagopalan
		President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 25, 2022

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