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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020

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)

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 of time 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ☐

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

Large accelerated filer	☐	Accelerated filer	x
Non-Accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	o		

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 x

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 24, 2020, there were 19,274,921 shares of the Company's common stock outstanding.

HEIDRICK & STRUGGLES INTERNATIONAL, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

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

	March 31, 2020 (Unaudited)	December 31, 2019
Current assets		
Cash and cash equivalents	$ 251,000	$ 271,719
Marketable securities	—	61,153
Accounts receivable, net of allowances of $5,209 and $5,140, respectively	131,371	109,163
Prepaid expenses	26,505	20,185
Other current assets	32,133	27,848
Income taxes recoverable	4,400	4,414
Total current assets	445,409	494,482
Non-current assets		
Property and equipment, net	28,450	28,650
Operating lease right-of-use assets	98,943	99,391
Assets designated for retirement and pension plans	13,756	13,978
Investments	23,516	25,409
Other non-current assets	25,181	20,434
Goodwill	123,422	126,831
Other intangible assets, net	1,554	1,935
Deferred income taxes	32,299	33,063
Total non-current assets	347,121	349,691
Total assets	$ 792,530	$ 844,173
Current liabilities		
Accounts payable	$ 11,088	$ 8,633
Accrued salaries and benefits	97,875	234,306
Deferred revenue	41,433	41,267
Operating lease liabilities	29,818	30,955
Other current liabilities	19,534	26,253
Income taxes payable	8,198	3,928
Total current liabilities	207,946	345,342
Non-current liabilities		
Non-current debt	100,000	—
Accrued salaries and benefits	46,823	59,662
Retirement and pension plans	43,851	46,032
Operating lease liabilities	77,594	79,388
Other non-current liabilities	4,551	4,634
Total non-current liabilities	272,819	189,716
Total liabilities	480,765	535,058
Commitments and contingencies (Note 17)		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued at March 31, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized, 19,585,777 shares issued, 19,274,921 and 19,165,954 shares outstanding at March 31, 2020 and December 31, 2019, respectively	196	196
Treasury stock at cost, 310,856 and 419,823 shares at March 31, 2020 and December 31, 2019, respectively	(10,957)	(14,795)
Additional paid in capital	226,033	228,807
Retained earnings	96,415	91,083
Accumulated other comprehensive income	78	3,824
Total stockholders' equity	311,765	309,115
Total liabilities and stockholders' equity	$ 792,530	$ 844,173

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, 2020	Three Months Ended March 31, 2019
Revenue		
Revenue before reimbursements (net revenue)	$ 171,481	$ 171,594
Reimbursements	3,366	4,680
Total revenue	174,847	176,274
Operating expenses		
Salaries and benefits	121,089	120,818
General and administrative expenses	32,240	34,385
Reimbursed expenses	3,366	4,680
Total operating expenses	156,695	159,883
Operating income	18,152	16,391
Non-operating income (expense)		
Interest, net	679	808
Other, net	(4,435)	1,643
Net non-operating income (expense)	(3,756)	2,451
Income before income taxes	14,396	18,842
Provision for income taxes	5,730	6,755
Net income	8,666	12,087
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment	(3,716)	320
Net unrealized loss on available-for-sale investments	(30)	—
Other comprehensive income (loss), net of tax	(3,746)	320
Comprehensive income	$ 4,920	$ 12,407
Weighted-average common shares outstanding		
Basic	19,192	19,003
Diluted	19,776	19,504
Earnings per common share		
Basic	$ 0.45	$ 0.64
Diluted	$ 0.44	$ 0.62
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 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	19,586	$ 196	420	$ (14,795)	$ 228,807	$ 91,083	$ 3,824	$ 309,115
Net income	—	—	—	—	—	8,666	—	8,666
Adoption of accounting standards	—	—	—	—	—	(332)	—	(332)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(3,746)	(3,746)
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	2,614	—	—	2,614
Vesting of equity, net of tax withholdings	—	—	(109)	3,838	(5,388)	—	—	(1,550)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,876)	—	(2,876)
Dividend equivalents on restricted stock units	—	—	—	—	—	(126)	—	(126)
Balance at March 31, 2020	19,586	$ 196	311	$ (10,957)	$ 226,033	$ 96,415	$ 78	$ 311,765

	Common Stock		Treasury Stock		Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	19,586	$ 196	632	$ (20,298)	$ 227,147	$ 56,049	$ 4,062	$ 267,156
Net income	—	—	—	—	—	12,087	—	12,087
Other comprehensive income, net of tax	—	—	—	—	—	—	320	320
Common and treasury stock transactions:								
Stock-based compensation	—	—	—	—	1,343	—	—	1,343
Vesting of equity, net of tax withholdings	—	—	(160)	5,155	(9,707)	—	—	(4,552)
Cash dividends declared ($0.15 per share)	—	—	—	—	—	(2,848)	—	(2,848)
Dividend equivalents on restricted stock units	—	—	—	—	—	(87)	—	(87)
Balance at March 31, 2019	19,586	$ 196	472	$ (15,143)	$ 218,783	$ 65,201	$ 4,382	$ 273,419

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, 2020	Three Months Ended March 31, 2019
Cash flows - operating activities		
Net income	$ 8,666	$ 12,087
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,337	2,734
Deferred income taxes	110	336
Stock-based compensation expense	2,614	1,343
Accretion expense related to earnout payments	—	160
Gain on marketable securities	(111)	—
Loss on disposal of property and equipment	1	—
Changes in assets and liabilities:		
Accounts receivable	(24,656)	(20,167)
Accounts payable	1,897	99
Accrued expenses	(147,265)	(146,222)
Restructuring accrual	(138)	(681)
Deferred revenue	837	(1,586)
Income taxes payable, net	4,082	2,496
Retirement and pension plan assets and liabilities	2,033	1,550
Prepaid expenses	(6,566)	(6,499)
Other assets and liabilities, net	(9,441)	(923)
Net cash used in operating activities	(165,600)	(155,273)
Cash flows - investing activities		
Capital expenditures	(1,753)	(898)
Purchases of available-for-sale investments	(2,125)	(1,678)
Proceeds from sales of available-for-sale investments	61,395	113
Net cash provided by (used in) investing activities	57,517	(2,463)
Cash flows - financing activities		
Proceeds from line of credit	100,000	—
Cash dividends paid	(3,002)	(2,935)
Payment of employee tax withholdings on equity transactions	(1,550)	(4,552)
Acquisition earnout payments	(2,788)	(407)
Net cash provided by (used in) financing activities	92,660	(7,894)
Effect of exchange rate fluctuations on cash, cash equivalents and restricted cash	(5,296)	130
Net decrease in cash, cash equivalents and restricted cash	(20,719)	(165,500)
Cash, cash equivalents and restricted cash at beginning of period	271,719	280,262
Cash, cash equivalents and restricted cash at end of period	$ 251,000	$ 114,762

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 and other intangible 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, 2020 and December 31, 2019, the results of operations for the three months ended March 31, 2020 and 2019 and its cash flow for the three months ended March 31, 2020 and 2019 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, 2019, as filed with the SEC on February 24, 2020.

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, 2019.

Revenue Recognition

See Note 3, *Revenue.*

Marketable Securities

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

Restricted Cash

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

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

	March 31,		December 31,	
	2020	**2019**	**2019**	**2018**
Cash and cash equivalents	$ 251,000	$ 114,414	$ 271,719	$ 279,906
Restricted cash included within other current assets	—	106	—	108
Restricted cash included within other non-current assets	—	242	—	248
Total cash, cash equivalents and restricted cash	$ 251,000	$ 114,762	$ 271,719	$ 280,262

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,	
	2020	2019
Net income	$ 8,666	$ 12,087
Weighted average shares outstanding:		
Basic	19,192	19,003
Effect of dilutive securities:		
Restricted stock units	418	319
Performance stock units	166	182
Diluted	19,776	19,504
Basic earnings per share	$ 0.45	$ 0.64
Diluted earnings per share	$ 0.44	$ 0.62

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, we use our incremental borrowing rate based on the information available at the commencement date 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. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components. For office leases, we account for the lease and non-lease components as a single lease component. For equipment leases, such as vehicles and office equipment, we account for the lease and non-lease components separately.

Recently Adopted Financial Accounting Standards

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

Recently Issued Financial Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU 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 beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

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

3. Revenue

Executive Search

Revenue is recognized as we satisfy our performance obligations by transferring a good or service to a client. Generally, each of our executive search contracts 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 its clients for its retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client’s acceptance of the contract. If actual compensation of a placed candidate exceeds the original compensation estimate, the Company is often authorized to bill the client for one-third of the excess compensation. The Company refers to this additional billing as uptick revenue. In most contracts, variable consideration is comprised of uptick revenue and direct expenses. The Company bills its clients for uptick revenue upon completion of the executive search, and direct expenses are billed as incurred.

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

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

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

Heidrick Consulting

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

The Company enters into enterprise agreements with clients to provide a license for online access, via the Company's Culture Connect platform, to training and other proprietary material related to the Company's culture shaping programs. The consideration the Company expects to receive under the terms of an enterprise agreement is comprised of a single fixed fee. Our enterprise agreements contain multiple performance obligations, the delivery of materials via Culture Connect and material rights related to options to renew enterprise agreements at a significant discount. The Company allocates the transaction price to the performance obligations in the contract on a stand-alone selling price basis. The stand-alone selling price for the initial term of the enterprise agreement is outlined in the contract and is equal to the price paid by the client for the agreement over the initial term of the contract. The stand-alone selling price for the options to renew, or material right, are not directly observable and must be estimated.

This estimate is required to reflect the discount the client would obtain when exercising the option to renew, adjusted for the likelihood that the option will be exercised. The Company estimates the likelihood of renewal using a historical analysis of client renewals. Access to Culture Connect represents a right to access the Company’s intellectual property that the client simultaneously receives and consumes as the Company performs under the agreement, and therefore the Company recognizes revenue over time. Given the continuous nature of this commitment, the Company utilizes straight-line ratable revenue recognition over the estimated subscription period as the Company's clients will receive and consume the benefits from Culture Connect equally throughout the contract period. Revenue related to client renewals of enterprise agreements is recognized over the term of the renewal, which is generally twelve months. Enterprise agreements do not comprise a significant portion of the Company's revenue.

Contract Balances

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

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

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

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

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

	March 31, 2020	December 31, 2019	Change
Contract assets			
Unbilled receivables, net	$ 11,366	$ 7,585	$ 3,781
Contract assets	14,858	14,672	186
Total contract assets	26,224	22,257	3,967
Contract liabilities			
Deferred revenue	$ 41,433	$ 41,267	$ 166

During the three months ended March 31, 2020, we recognized revenue of $25.0 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, 2020, from performance obligations partially satisfied in previous periods as a result of changes in the estimates of variable consideration was $7.2 million.

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

4. Credit Losses

The Company is exposed to credit losses primarily through the provision of its executive search and consulting services. The Company’s expected credit loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions and a review of the current status of customers' trade accounts receivables. Due to the short-term nature of such receivables, the estimate of amount of accounts receivable that may not be collected is primarily based on historical loss-rate experience. When required, the Company adjusts the loss-rate methodology to account for current conditions and reasonable and supportable expectations of future economic and market conditions. The Company generally assesses future economic conditions for a period of sixty to ninety days, which corresponds with the contractual life of its accounts receivables. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Company’s monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible. The Company considered the current and expected future economic and market conditions surrounding the novel coronavirus ("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, 2019	$	5,140
Provision for credit losses		639
Write-offs		(514)
Foreign currency translation		(56)
Balance at March 31, 2020	$	5,209

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, 2020	**Fair Value**	**Unrealized Loss**	**Cash and Cash Equivalents**	**Marketable Securities**
U.S. Treasury securities	$ 151,750	$ 18	$ 151,750	$ —

The unrealized losses on three investments in U.S. Treasury securities were caused by fluctuations in market interest rates. The contractual cash flows of these investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the investments would not be settled at a price less than the amortized cost basis. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before the recovery of the amortized cost basis.

5. Property and Equipment, net

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

	March 31, 2020	December 31, 2019
Leasehold improvements	$ 47,386	$ 47,269
Office furniture, fixtures and equipment	17,744	17,740
Computer equipment and software	27,821	27,531
Property and equipment, gross	92,951	92,540
Accumulated depreciation	(64,501)	(63,890)
Property and equipment, net	$ 28,450	$ 28,650

Depreciation expense for the three months ended March 31, 2020 and 2019 was $2.1 million and $2.5 million, respectively.

6. Leases

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

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

Office leases have remaining lease terms that range from less than one year to 10.1 years, some of which also include options to extend or terminate the lease. Most office leases contain both fixed and variable lease payments. Variable lease costs consist primarily of rent escalations based on an established index or rate and taxes, insurance, and common area or other maintenance costs, which are paid based on actual costs incurred by the lessor. The Company has elected to utilize the available practical expedient to not separate lease and non-lease components for office leases.

Equipment leases, which are comprised of vehicle and office equipment leases, have remaining terms that range from less than one year to 4.6 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 for the three months ended March 31:

	2020	2019
Operating lease cost	$ 6,261	$ 6,573
Variable lease cost	2,073	1,857
Total lease cost	$ 8,334	$ 8,430

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

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7,812	$ 8,481
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 1,641	$ 8,726

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

	2020	2019
Weighted Average Remaining Lease Term		
Operating leases	4.6 years	4.9 years
Weighted Average Discount Rate		
Operating leases	3.84%	3.97%

The future maturities of the Company's operating lease liabilities as of March 31, 2020, for the years ended December 31 is as follows:

	Operating Lease Maturity
2020	$ 21,796
2021	28,043
2022	24,314
2023	21,409
2024	10,950
Thereafter	10,275
Total lease payments	116,787
Less: Interest	(9,375)
Present value of lease liabilities	$ 107,412

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:

	Fair Value				Balance Sheet Classification	
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Cash and Cash Equivalents**	**Marketable Securities**
Balance at March 31, 2020						
Cash					$ 94,243	$ —
Level 1[(1)]:						
U.S. Treasury securities	156,774	1	18	156,757	156,757	—
Total Level 1	156,774	1	18	156,757	156,757	—
Total	$ 156,774	$ 1	$ 18	$ 156,757	$ 251,000	$ —

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

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

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

The Company has a U.S. non-qualified deferred compensation plan that consists primarily of U.S. marketable securities and mutual funds. The aggregate cost basis for these investments was $19.3 million and $17.2 million as of March 31, 2020 and December 31, 2019, respectively.

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

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

		Balance Sheet Classification				
	Fair Value	Other Current Assets	Assets Designated for Retirement and Pension Plans	Investments	Other Current Liabilities	Retirement and Pension Plans
Balance at March 31, 2020						
Level 1[1]:						
U.S. non-qualified deferred compensation plan	$ 23,516	$ —	$ —	$ 23,516	$ —	$ —
Level 2[2]:						
Retirement and pension plan assets	15,053	1,297	13,756	—	—	—
Pension benefit obligation	(20,586)	—	—	—	(1,297)	(19,289)
Total Level 2	(5,533)	1,297	13,756	—	(1,297)	(19,289)
Total	$ 17,983	$ 1,297	$ 13,756	$ 23,516	$ (1,297)	$ (19,289)

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

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

Contingent Consideration

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

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

	Acquisition Earnout Accruals
Balance at December 31, 2019	$ (5,278)
Earnout payments	5,051
Foreign currency translation	227
Balance at March 31, 2020	$ —

8. Goodwill and Other Intangible Assets

Goodwill

The Company's goodwill by segment is as follows:

	March 31, 2020	December 31, 2019
Executive Search		
Americas	$ 91,338	$ 92,497
Europe	24,196	25,579
Asia Pacific	7,888	8,755
Total goodwill	$ 123,422	$ 126,831

Changes in the carrying amount of goodwill by segment for the three months ended March 31, 2020, are as follows:

	Executive Search			
	Americas	Europe	Asia Pacific	Total
Goodwill at December 31, 2019	92,497	25,579	8,755	126,831
Foreign currency translation	(1,159)	(1,383)	(867)	(3,409)
Goodwill at March 31, 2020	$ 91,338	$ 24,196	$ 7,888	$ 123,422

Other Intangible Assets, net

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

	March 31, 2020	December 31, 2019
Executive Search		
Americas	$ 372	$ 557
Europe	1,130	1,314
Asia Pacific	52	64
Total other intangible assets, net	$ 1,554	$ 1,935

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

		March 31, 2020			December 31, 2019		
	Weighted Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	6.6	$ 15,816	$ (14,469)	$ 1,347	$ 16,302	$ (14,683)	$ 1,619
Trade name	5.0	279	(72)	207	362	(46)	316
Total intangible assets	6.4	$ 16,095	$ (14,541)	$ 1,554	$ 16,664	$ (14,729)	$ 1,935

Intangible asset amortization expense for the three months ended March 31, 2020 and 2019 was $0.2 million and $0.2 million, respectively.

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

	Estimated Future Amortization
2020	$ 519
2021	458
2022	291
2023	172
2024	71
Thereafter	43
Total	$ 1,554

9. Other Current Assets

The components of other current assets are as follows:

	March 31, 2020	December 31, 2019
Contract assets	$ 26,224	$ 22,257
Other	5,909	5,591
Total other current assets	$ 32,133	$ 27,848

10. Line of Credit

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

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

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

During the three months ended March 31, 2020, the Company borrowed $100 million under the 2018 Credit Agreement. The borrowings outstanding under the revolving line of credit currently bear interest at a rate of 1.77% per annum. The Company elected to draw down a portion of the available funds from its revolving line of credit as a precautionary measure to increase its cash position and further enhance its financial flexibility in light of current uncertainty in the global markets resulting from the COVID-19 outbreak.

As of March 31, 2020, the Company had $100 million of outstanding borrowings. As of December 31, 2019, the Company had no outstanding borrowings. The Company was in compliance with the financial and other covenants under the 2018 Credit Agreement and no event of default existed.

11. Stock-Based Compensation

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

As of March 31, 2020, 2,844,025 awards have been issued under the 2012 Program and 689,098 shares remain available for future awards, including 683,123 forfeited awards. The 2012 Program provides that no awards can be granted after May 24, 2028.

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

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

	Three Months Ended March 31,	
	2020	2019
Salaries and benefits (1)	$ 1,804	$ 1,671
Income tax benefit related to stock-based compensation included in net income	479	441

(1) Includes $0.8 million of income and $0.3 million of expense related to cash settled restricted stock units for the three months ended March 31, 2020 and 2019, respectively.

Restricted Stock Units

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

Restricted stock unit activity for the three months ended March 31, 2020 is as follows:

	Number of Restricted Stock Units		Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2019	598,988	$	32.25
Granted	186,737		23.43
Vested and converted to common stock	(125,257)		30.64
Forfeited	—		—
Outstanding on March 31, 2020	660,468	$	30.06

As of March 31, 2020, there was $12.2 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.6 years.

Performance Stock Units

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

During the three months ended March 31, 2020, performance stock units were granted to certain employees of the Company and are subject to a cliff vesting period of three years and certain other performance conditions. Half of the award is based on the achievement of certain operating margin thresholds and half of the award is based on the Company's total shareholder return, relative to a peer group. The fair value of the awards based on total shareholder return was determined using the Monte-Carlo simulation model. A Monte Carlo simulation model uses stock price volatility and other variables to estimate the probability of satisfying the performance conditions and the resulting fair value of the award.

Performance stock unit activity for the three months ended March 31, 2020 is as follows:

	Number of Performance Stock Units		Weighted-Average Grant-Date Fair Value
Outstanding on December 31, 2019	179,559	$	32.63
Granted	105,847		23.52
Vested and converted to common stock	(50,472)		26.69
Forfeited	—		—
Outstanding on March 31, 2020	234,934	$	29.80

As of March 31, 2020, there was $5.1 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 2.3 years.

Phantom Stock Units

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

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

The Company recorded phantom stock-based compensation income of $0.8 million during the three months ended March 31, 2020 due to a decline in the Company's share price. The Company recorded phantom stock-based compensation expense of $0.3 million during the three months ended March 31, 2019.

Phantom stock unit activity for the three months ended March 31, 2020 is as follows:

	Number of Phantom Stock Units
Outstanding on December 31, 2019	266,060
Granted	—
Vested	—
Forfeited	—
Outstanding on March 31, 2020	266,060

As of March 31, 2020, there was $2.9 million of pre-tax unrecognized compensation expense related to unvested phantom stock units, which is expected to be recognized over a weighted average of 3.0 years.

12. Restructuring

During the three months ended September 30, 2019, the Company recorded restructuring charges of $4.1 million in connection with initiatives to integrate the Company's existing Brazil operations into the 2GET business operation. The Americas incurred $4.1 million in restructuring charges, while Global Operations Support incurred less than $0.1 million. The restructuring charges primarily consist of employee-related costs for the Company's existing Brazil operations.

Changes to the accrual for restructuring charges for the three months ended March 31, 2020, are as follows:

	Employee Related
Outstanding on December 31, 2019	$ 3,245
Cash payments	(94)
Non cash write offs	(28)
Exchange rate fluctuations	(735)
Outstanding on March 31, 2020	$ 2,388

13. Income Taxes

The Company reported income before taxes of $14.4 million and an income tax provision of $5.7 million for the three months ended March 31, 2020. The Company reported income before taxes of $18.8 million and an income tax provision of $6.8 million for the three months ended March 31, 2019. The effective tax rates for the three months ended March 31, 2020 and 2019, were 39.8% and 35.9%, respectively. The effective tax rates for the three months ended March 31, 2020 and 2019 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, 2020 is summarized below:

	Available-for-Sale Securities	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2019	$ 13	$ 6,102	$ (2,291)	$ 3,824
Other comprehensive income before classification, net of tax	(30)	(3,716)	—	(3,746)
Balance at March 31, 2020	$ (17)	$ 2,386	$ (2,291)	$ 78

15. Segment Information

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

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

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

	Three Months Ended March 31,	
	2020	2019
Revenue		
Executive Search		
Americas	$ 100,301	$ 99,305
Europe	33,082	33,553
Asia Pacific	22,070	25,447
Total Executive Search	155,453	158,305
Heidrick Consulting	16,028	13,289
Revenue before reimbursements (net revenue)	171,481	171,594
Reimbursements	3,366	4,680
Total revenue	$ 174,847	$ 176,274

	Three Months Ended March 31,	
	2020	2019
Operating income (loss)		
Executive Search		
Americas	$ 25,732	$ 22,449
Europe	3,049	2,165
Asia Pacific	2,502	4,906
Total Executive Search	31,283	29,520
Heidrick Consulting	(4,092)	(4,827)
Total segment operating income	27,191	24,693
Global Operations Support	(9,039)	(8,302)
Total operating income	$ 18,152	$ 16,391

16. Guarantees

The Company has utilized letters of credit to support certain obligations, primarily for its office lease agreements in Europe and Asia Pacific. The letters of credit were made to secure the respective agreements and are for the terms of the agreements, which extend through 2030. For each letter of credit issued, the Company would have to use cash to fulfill the obligation if 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 $3.6 million as of March 31, 2020. 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.

18. Subsequent Event

The challenges posed by the COVID-19 pandemic on the global economy increased significantly as the first quarter progressed. The pandemic has created significant volatility, uncertainty and economic disruption. Certain governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of the pandemic. Additional, more restrictive proclamations and/or directives may be issued in the future. The Company has temporarily closed its offices and shifted its workforce to remote operations to ensure the safety of our employees. In addition, certain customers of the Company have closed or reduced their operations during this pandemic. While the Company has not incurred any significant disruptions to our business to date, the extent to which the pandemic impacts the Company's business, operations and financial results will depend on numerous evolving factors that may not be able to be accurately predicted. The Company expects that all of its business segments, across all of its geographies, will be impacted to some degree by the pandemic and actions taken in response to the pandemic, but the significance of the impact of the pandemic on the Company and the duration for which it may have an impact cannot be determined at this time.

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 report on Form 10-Q contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements are not historical facts, but instead represent only our beliefs, assumptions, expectations, estimates, forecasts and projections regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

Factors that may affect the outcome of the forward-looking statements include, among other things, the impacts, direct and indirect, of the COVID-19 pandemic on our business, our consultants and employees, and the overall economy; leadership changes, our ability to attract, integrate, develop, manage and retain qualified consultants and senior leaders; our ability to prevent our consultants from taking our clients with them to another firm; our ability to maintain our professional reputation and brand name; the fact that our net revenue may be affected by adverse economic conditions; our clients' ability to restrict us from recruiting their employees; the aggressive competition we face; our heavy reliance on information management systems; the fact that we face the risk of liability in the services we perform; the fact that data security, data privacy and data protection laws and other evolving regulations and cross-border data transfer restrictions may limit the use of our services and adversely affect our business; social, political, regulatory and legal risks in markets where we operate; the impact of foreign currency exchange rate fluctuations; the fact that we may not be able to align our cost structure with net revenue; unfavorable tax law changes and tax authority rulings; our ability to realize our tax losses; the timing of the establishment or reversal of valuation allowance on deferred tax assets; any impairment of our goodwill, other intangible assets and other long-lived assets; our ability to execute and integrate future acquisitions; the fact that we have anti-takeover provisions that make an acquisition of us difficult and expensive; our ability to access additional credit; and the increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted cyber-related attacks that could pose a risk to our systems, networks, solutions, services and data. 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, 2019, under Risk Factors in Item 1A. 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. We are a leadership advisory firm providing executive search and consulting services. We help our clients build leadership teams by facilitating the recruitment, management and development of senior executives. We believe focusing on top-level services offers us several advantages that include access to and influence with key decision makers, increased potential for recurring search consulting engagements, higher fees per search, enhanced brand visibility and a leveraged global footprint, which create added barriers to entry for potential competitors. Working at the top of client organizations also allows us to attract and retain high-caliber consultants.

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

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

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

We employ a global approach to executive search built on better insights, more data and faster decision making facilitated by the use of our proprietary Infinity Framework and Heidrick Connect. Our Infinity Framework allows clients to holistically evaluate a candidate's pivotal experience and expertise, leadership capabilities, agility and potential, and culture fit and impact, thereby allowing our clients to find the right person for the role. We supplement our Infinity Framework through a series of additional online tools including our Leadership Accelerator, Leadership Signature and Culture Signature assessments. Heidrick Connect, a completely digital, always available, client experience portal allows our clients to access talent insights for each engagement, including the Infinity Framework and other proprietary assessment tools.

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

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

Heidrick Consulting. Our consulting services include leadership assessment and development, executive coaching and on-boarding, succession planning, team and board effectiveness, organizational performance acceleration, workforce planning and culture shaping. 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.

Key Performance Indicators

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

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

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

Our Compensation Model

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

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

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

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

Recent Developments

On March 11, 2020, the World Health Organization designated the recent novel coronavirus ("COVID-19") as a global pandemic. COVID-19 was first detected in Wuhan City, China and continued to spread, significantly impacting various markets around the world, including the United States.

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

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

While we have not incurred any significant disruptions to our business to date, the extent to which the pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including, but not limited to:

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

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

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

A sustained economic downturn may also result in the carrying value of our goodwill, other intangible assets, and long-lived assets exceeding their fair value, which may require us to recognize an impairment to those assets.

We believe we have sufficient liquidity to satisfy our cash needs, however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. On March 24, 2020, we elected to draw down $100 million of the available funds from our revolving line of credit as a precautionary measure to increase our cash position and further enhance our financial flexibility in light of current uncertainty in the global markets.

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

For more information, see Item 1A, "Risk Factors."

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,	
	2020	**2019**
Revenue		
Revenue before reimbursements (net revenue)	100.0 %	100.0%
Reimbursements	2.0	2.7
Total revenue	102.0	102.7
Operating expenses		
Salaries and benefits	70.6	70.4
General and administrative expenses	18.8	20.0
Reimbursed expenses	2.0	2.7
Total operating expenses	91.4	93.2
Operating income	10.6	9.6
Non-operating income (expense)		
Interest, net	0.4	0.5
Other, net	(2.6)	1.0
Net non-operating income (expense)	(2.2)	1.4
Income before income taxes	8.4	11.0
Provision for income taxes	3.3	3.9
Net income	5.1 %	7.0%

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

We operate our executive search services in the Americas; Europe (which includes Africa); and Asia Pacific (which includes the Middle East) and our Heidrick Consulting services globally (See Note 15, *Segment Information*).

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

	Three Months Ended March 31,	
	2020	2019
Revenue		
Executive Search		
Americas	$ 100,301	$ 99,305
Europe	33,082	33,553
Asia Pacific	22,070	25,447
Total Executive Search	155,453	158,305
Heidrick Consulting	16,028	13,289
Revenue before reimbursements (net revenue)	171,481	171,594
Reimbursements	3,366	4,680
Total revenue	$ 174,847	$ 176,274

	Three Months Ended March 31,	
	2020	2019
Operating income (loss)		
Executive Search		
Americas	$ 25,732	$ 22,449
Europe	3,049	2,165
Asia Pacific	2,502	4,906
Total Executive Search	31,283	29,520
Heidrick Consulting	(4,092)	(4,827)
Total segment operating income	27,191	24,693
Global Operations Support	(9,039)	(8,302)
Total operating income	$ 18,152	$ 16,391

Three Months Ended March 31, 2020 Compared to the Three Months Ended March 31, 2019

Total revenue. Consolidated total revenue decreased $1.4 million, or 0.8%, to $174.8 million for the three months ended March 31, 2020, from $176.3 million for the three months ended March 31, 2019. The decrease in total revenue was primarily due to the decrease in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue decreased $0.1 million, or 0.1%, to $171.5 million for the three months ended March 31, 2020 from $171.6 million for the three months ended March 31, 2019. Foreign exchange rate fluctuations negatively impacted results by $1.9 million, or 1.1%. Executive Search net revenue was $155.5 million for the three months ended March 31, 2020, a decrease of $2.9 million, or 1.8%, compared to the three months ended March 31, 2019. Heidrick Consulting net revenue increased $2.7 million, or 20.6%, to $16.0 million for the three months ended March 31, 2020.

The number of Executive Search and Heidrick Consulting consultants was 396 and 70, respectively, as of March 31, 2020, compared to 370 and 67, respectively, as of March 31, 2019. Executive Search productivity, as measured by annualized net Executive Search revenue per consultant, was $1.6 million and $1.7 million for the three months ended March 31, 2020 and 2019, respectively. The number of confirmed searches increased 2.4% compared to 2019. The average revenue per executive search decreased to $118,600 for the three months ended March 31, 2020, compared to $123,700 for the three months ended March 31, 2019.

Salaries and benefits. Consolidated salaries and benefits expense increased $0.3 million, or 0.2%, to $121.1 million for the three months ended March 31, 2020 from $120.8 million for the three months ended March 31, 2019. Fixed compensation decreased $0.4 million primarily due to the deferred compensation plan and talent acquisition and retention costs, partially offset by increases in base salaries and payroll taxes, stock compensation, retirement and benefits, and separation. Variable compensation increased $0.6 million due to contingent compensation related to the acquisition of 2GET. Foreign exchange rate fluctuations positively impacted results by $1.6 million, or 1.3%.

For the three months ended March 31, 2020, we had an average of 1,781 employees compared to an average of 1,620 employees for the three months ended March 31, 2019.

As a percentage of net revenue, salaries and benefits expense was 70.6% for the three months ended March 31, 2020, compared to 70.4% for the three months ended March 31, 2019.

General and administrative expenses. Consolidated general and administrative expenses decreased $2.1 million, or 6.2% to $32.2 million for the three months ended March 31, 2020 from $34.4 million for the three months ended March 31, 2019. The decrease in general and administrative expenses was due to decreases in internal travel, taxes and licenses, and office occupancy, partially offset by increases in professional fees and information technology. Foreign exchange rate fluctuations positively impacted results by $0.3 million, or 1.0%.

As a percentage of net revenue, general and administrative expenses were 18.8% for the three months ended March 31, 2020, compared to 20.0% for the three months ended March 31, 2019.

Operating income. Consolidated operating income was $18.2 million for the three months ended March 31, 2020, compared to $16.4 million for the three months ended March 31, 2019. Foreign exchange rate fluctuations positively impacted operating income by less than $0.1 million, or 0.2%.

Net non-operating income (expense). Net non-operating expense was $3.8 million for the three months ended March 31, 2020, compared to $2.5 million of net non-operating income for the three months ended March 31, 2019.

Interest, net, was $0.7 million for the three months ended March 31, 2020, compared to $0.8 million for the three months ended March 31, 2019.

Other, net, was $4.4 million of expense for the three months ended March 31, 2020, compared to $1.6 million of income for the three months ended March 31, 2019. The additional expense in the current year is due to an unrealized loss of $3.9 million on the Company's deferred compensation plan. Investments held in the Company's deferred compensation plan are recorded at fair value, which declined significantly during the three months ended March 31, 2020 as a result of overall declines in the stock market.

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

Executive Search

Americas

The Americas segment reported net revenue of $100.3 million for the three months ended March 31, 2020, an increase of 1.0% from $99.3 million for the three months ended March 31, 2019. The increase in net revenue was due to an 8.6% increase in the number of executive search confirmations. The Consumer Markets and Industrial practice groups exhibited growth over the prior year. Foreign exchange rate fluctuations negatively impacted results by $0.4 million or 0.4%. There were 206 Executive Search consultants as of March 31, 2020, compared to 191 as of March 31, 2019.

Salaries and benefits expense decreased $2.0 million, or 3.1%, compared to the three months ended March 31, 2019. Fixed compensation decreased $2.8 million, primarily due to the deferred compensation plan, talent acquisition and retention costs, and retirement and benefits, partially offset by an increase in base salaries and payroll taxes. Variable compensation increased $0.7 million due to higher bonus accruals as a result of increased consultant productivity and contingent compensation related to the acquisition of 2GET.

General and administrative expenses decreased $0.3 million, or 2.1%, compared to the three months ended March 31, 2019, due to taxes and licenses, and internal travel, partially offset by increases in professional fees, the use of external third-party consultants, and office occupancy.

Operating income was $25.7 million for the three months ended March 31, 2020, an increase of $3.3 million compared to $22.4 million for the three months ended March 31, 2019.

Europe

Europe reported net revenue of $33.1 million for the three months ended March 31, 2020, a decrease of 1.4% from $33.6 million for the three months ended March 31, 2019. The decrease in net revenue was primarily due to a 3.4% decrease in the number of executive search confirmations. The Education and Social Enterprises, Consumer Markets, Global Technology Services, and Life Sciences practice groups exhibited growth over the prior year. Foreign exchange rate fluctuations negatively impacted results by $0.7 million, or 2.2%. There were 110 Executive Search consultants as of March 31, 2020, compared to 105 as of March 31, 2019.

Salaries and benefits expense increased $0.1 million, or 0.2%, compared to the three months ended March 31, 2019. Fixed compensation increased $0.3 million for the three months ended March 31, 2020, primarily due to base salaries and payroll taxes, talent acquisition and retention costs, and retirement and benefits. Variable compensation decreased $0.2 million due to lower bonus accruals as a result of decreased consultant productivity.

General and administrative expense decreased $1.4 million, or 17.7%, compared to the three months ended March 31, 2019, primarily due to decreases in internal travel, office occupancy, and professional fees.

The Europe segment reported operating income of $3.0 million for the three months ended March 31, 2020, an increase of $0.9 million compared to $2.2 million for the three months ended March 31, 2019.

Asia Pacific

Asia Pacific reported net revenue of $22.1 million for the three months ended March 31, 2020, a decrease of 13.3% compared to $25.4 million for the three months ended March 31, 2019. The decrease in net revenue was due to a 3.1% decrease in the number of executive search confirmations compared to the prior year. The decline in executive search confirmations is attributable to a general decline in business volume due to COVID-19, primarily in China and Singapore. Foreign exchange rate fluctuations negatively impacted results by $0.7 million, or 3.1%. There were 80 Executive Search consultants as of March 31, 2020, compared to 74 as of March 31, 2019.

Salaries and benefits expense decreased $0.6 million, or 3.5%, compared to the three months ended March 31, 2019. Fixed compensation increased $0.1 million due to retirement and benefits, and talent acquisition and retention costs, partially offset by a decrease in base salaries and payroll taxes. Variable compensation decreased $0.6 million due to lower bonus accruals as a result of decreased consultant productivity.

General and administrative expenses decreased $0.4 million, or 8.7%, compared to the three months ended March 31, 2019, primarily due to decreases in internal travel, and taxes and licenses, partially offset by an increase in bad debt expense.

The Asia Pacific segment reported operating income of $2.5 million for the three months ended March 31, 2020, a decrease of $2.4 million compared to the three months ended March 31, 2019.

Heidrick Consulting

Heidrick Consulting reported net revenue of $16.0 million for the three months ended March 31, 2020, an increase of 20.6% compared to $13.3 million for the three months ended March 31, 2019. The increase in Heidrick Consulting net revenue is primarily due to one large consulting engagement. Foreign exchange rate fluctuations negatively impacted results by $0.1 million, or 0.5%. There were 70 Heidrick Consulting consultants at March 31, 2020, compared to 67 at March 31, 2019.

Salaries and benefits expense increased $2.1 million, or 17.1%, compared to the three months ended March 31, 2019. Fixed compensation increased $1.2 million due to base salaries and payroll taxes, and retirement and benefits. Variable compensation increased $1.0 million due to higher bonus accruals as a result of increased consultant productivity.

General and administrative expenses decreased $0.1 million, or 2.5%, compared to the three months ended March 31, 2019, primarily due to internal travel and the use of external third-party consultants, partially offset by increases in professional fees and information technology.

The Heidrick Consulting segment reported an operating loss of $4.1 million for the three months ended March 31, 2020, an improvement of $0.7 million compared to an operating loss of $4.8 million for the three months ended March 31, 2019.

Global Operations Support

Global Operations Support expenses for the three months ended March 31, 2020, increased $0.7 million, or 8.9%, to $9.0 million from $8.3 million for the three months ended March 31, 2019.

Salaries and benefits expense increased $0.7 million, or 14.4%, due to stock compensation and separation, partially offset by a decrease in base salaries and payroll taxes.

General and administrative expenses increased $0.1 million, or 2.3%, primarily due to professional fees and information technology, partially offset by decreases in office occupancy and taxes and licenses.

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 the foreseeable future, as well as to finance the cash payments associated with our cash dividends and stock repurchase program.

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

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

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

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

During the three months ended March 31, 2020, we borrowed $100 million under the 2018 Credit Agreement. The borrowings outstanding under the revolving line of credit currently bear interest at a rate of 1.77% per annum. We elected to draw down a portion of the available funds from our revolving line of credit as a precautionary measure to increase our cash position and further enhance our financial flexibility in light of current uncertainty in the global markets resulting from the COVID-19 outbreak. We believe that we have more than sufficient liquidity, even prior to taking this action, but elected to draw down available funds out of an abundance of caution in this period of uncertainty. The draw-down proceeds from the revolving line of credit are currently being held on our balance sheet and have been invested in short-term securities.

As of March 31, 2020, we had $100 million in outstanding borrowings and as of December 31, 2019, we had no outstanding borrowings. In both periods, we were in compliance with the financial and other covenants under the facility and no event of default existed.

Cash, cash equivalents and marketable securities. Cash, cash equivalents and marketable securities at March 31, 2020, December 31, 2019, and March 31, 2019 were $251.0 million, $332.9 million and $114.4 million, respectively. The $251.0 million of cash, cash equivalents and marketable securities at March 31, 2020, includes $73.6 million held by our foreign subsidiaries. A portion of the $73.6 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the U.S., the repatriation of these funds could cause us to incur additional U.S. income taxes or foreign withholding taxes.

Cash flows used in operating activities. For the three months ended March 31, 2020, cash used in operating activities was $165.6 million. This use of cash was primarily the result of cash bonus payments related to 2019 and prior year cash bonus deferrals of $222.1 million partially offset by 2020 bonus accruals, an increase in accounts receivable of $24.7 million, an increase in other assets of $9.4 million and an increase in prepaid expenses of $6.6 million, partially offset by net income of $8.7 million and an increase in taxes payable of $4.1 million.

For the three months ended March 31, 2019, cash used in operating activities was $155.3 million. This use of cash was primarily the result of cash bonus payments related to 2018 and prior year cash bonus deferrals of $199.0 million partially offset by an increase in 2019 bonus accruals, an increase in accounts receivable of $20.2 million and increases in prepaid expenses of $6.5

million, partially offset by net income of $12.1 million, depreciation and amortization of $2.7 million and an increase in net income taxes payable of $2.5 million.

Cash flows used in investing activities. Cash provided by investing activities was $57.5 million for the three months ended March 31, 2020, primarily due to proceeds from available for sale investments of $61.4 million, partially offset by purchases of available for sale investments of $2.1 million, and capital expenditures of $1.8 million for office build-outs.

For the three months ended March 31, 2019, cash used in investing activities was $2.5 million, primarily due to purchases of available for sale investments of $1.7 million and capital expenditures related to office build-outs of $0.9 million, partially offset by proceeds from sales available for sale investments of $0.1 million.

Cash flows used in financing activities. Cash provided by financing activities was $92.7 million for the three months ended March 31, 2020, primarily due to the draw on the line of credit of $100.0 million, partially offset by dividend payments of $3.0 million, the final earnout payment for the Amrop acquisition of $2.8 million, and employee tax withholding payments on equity transactions of $1.6 million.

For the three months ended March 31, 2019, cash used by financing activities was $7.9 million primarily due to employee tax withholding payments on equity transactions of $4.6 million, dividend payments of $2.9 million and the final earnout payment for the Scambler MacGregor acquisition of $0.4 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, 2019 as filed with the U.S. Securities and Exchange Commission (“SEC”) on February 24, 2020, 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, 2019, as filed with the SEC on February 24, 2020.

Recently Adopted Financial Accounting Standards

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

Recently Issued Financial Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU 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 beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

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

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. 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 for the three months ended March 31, 2020 by approximately $0.1 million. However, because certain assets and liabilities are denominated in currencies other than their respective functional currency, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. Based on balances exposed to fluctuation in exchange rates as of March 31, 2020, a 10% increase or decrease equally in the value of currencies could result in a foreign exchange gain or loss of approximately $1.4 million. In addition, as the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. For financial information by geographic 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, 2020. Based on the evaluation, the Company’s principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2020.

(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, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information presented in Note 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

There have been no material changes in 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, 2019, except for the following risk factor which supplements the risk factors previously disclosed and should be considered in conjunction with the Risk Factors section in the Company's Annual report on Form 10-K for the year ended December 31, 2019.

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

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. COVID-19 has since spread to over 100 countries, including the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020 the United States declared a national emergency with respect to COVID-19.

With infections reported throughout the world, certain governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of the pandemic. Additional, more restrictive proclamations and/or directives may be issued in the future. We have temporarily closed our offices and shifted our workforce to remote operations to ensure the safety of our employees. In addition, certain of our customers have closed or reduced their operations during this pandemic.

The global pandemic has created significant volatility, uncertainty and economic disruption. While we have not incurred any significant disruptions to our business to date, the extent to which the pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals’ actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic, and actions taken in response to the pandemic, on economic activity; the effect on our clients and client demand for our services and solutions; our ability to sell and provide our services and solutions, including as a result of travel restrictions and people working from home; the ability of our clients to pay for our services and solutions; and any closures of our and our clients’ offices and facilities. Restrictions inhibiting our employees’ and clients' ability to access those offices and facilities, has disrupted, and are expected to continue to disrupt, our ability to provide our services and solutions. These disruptions could result in, among other things, a decline in demand for our executive search and consulting services due to temporary and permanent workforce reductions; a lengthening of the executive search process due to a slow-down in client decision making; an increase in executive searches placed on hold due to delays in planned work by our clients; an inability to execute in-person consulting engagements; prolonged disruptions in business operations for offices in areas most impacted by the pandemic, including the United States, United Kingdom, Italy, Spain and China; terminations of client contracts and losses of revenue.

Management expects that all of its business segments, across all of its geographies, will be impacted to some degree by the pandemic and actions taken in response to the pandemic, but the significance of the impact of the pandemic on our business and the duration for which it may have an impact cannot be determined at this time. A sustained economic downturn may also result in the carrying value of our goodwill, other intangible assets, and long-lived assets exceeding their fair value, which may require us to recognize an impairment to those assets.

The impact of the COVID-19 pandemic may also exacerbate other risks discussed in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, any of which could have a material effect on us. The ultimate effect that the COVID-19 pandemic may have on our business, financial condition or results of operations is not presently known to us or may present unanticipated risks that cannot be determined at this time.

Item 6. Exhibits

Exhibit No.	Description
#3.01	Restated Certificate of Incorporation of the Registrant
#3.02	Certificate of Amendment of the Registrant
*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	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Refiled herewith to provide an updated hyperlink to the appropriate prior filing.

* Filed herewith.

SIGNATURE

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

Date: April 27, 2020

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)

Exhibit 3.01

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
HEIDRICK & STRUGGLES INTERNATIONAL, INC.**

HEIDRICK & STRUGGLES INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the corporation is Heidrick & Struggles International, Inc. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was May 9, 1968 under the name Heidrick and Struggles International, Inc. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on September 13, 1984 under the name Heidrick and Struggles International, Inc. Certificates of Amendment to the Restated Certificate of Incorporation were filed on August 9, 1989 and on November 7, 1990 respectively. A Certificate of Amendment to the Restated Certificate of Incorporation was filed on December 23, 1992 changing the name of the Corporation to Heidrick & Struggles International, Inc. An Amended and Restated Certificate of Incorporation (the "Existing Amended and Restated Certificate of Incorporation") was filed with the Secretary of State of the State of Delaware on February 26, 1999 under the Corporation's name.

2. This Amended and Restated Certificate of Incorporation has been duly adopted by the Board of Directors and by written consent of the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware and amends and restates the provisions of the Existing Amended and Restated Certificate of Incorporation.

3. The text of the Existing Amended and Restated Certificate of Incorporation as amended heretofore is hereby amended and restated to read in its entirety as follows:

"FIRST: The name of the corporation is Heidrick & Struggles International, Inc.

SECOND: The registered office of the corporation in the State of Delaware is located at No. 1209 Orange Street, in the City of Wilmington, County of New Castle; and the name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purposes of the corporation are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: (1) The total number of shares of all classes of stock which the corporation shall have authority to issue is 110,000,000, consisting of 10,000,000 shares of Preferred Stock, par value $.01 per share ("Preferred Stock"), and 100,000,000 shares of Common Stock, par value $.01 per share ("Common Stock"). The number of authorized shares of any of the Preferred Stock or the Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware (or any successor provision thereto), and no vote of the holders of any of the Preferred Stock or the Common Stock voting separately as a class shall be required therefor.

(2) The Board of Directors is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, the voting powers (if any) of the shares of such series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

(3) The Board of Directors is hereby expressly authorized, by resolution or resolutions, to issue, without a vote or any other action of the stockholders, any or all authorized shares of stock of the Corporation, securities convertible into or exchangeable for any authorized shares of stock of the Corporation and warrants, options or rights to purchase, subscribe for or otherwise acquire shares of stock of the Corporation for any such consideration and on such terms as the Board of Directors in its discretion lawfully may determine.

(4) (a) Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such bolder on all matters on which stockholders generally are entitled to vote; provided, however, that,

except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) or pursuant to the General Corporation Law of the State of Delaware.

(b) Except as otherwise required by law, holders of a series of Preferred Stock, as such, shall be entitled only to such voting rights, if any, as shall expressly be granted thereto by this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to such series).

(c) Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, dividends may be declared and paid on the Common Stock at such times and in such amounts as the Board of Directors in its discretion shall determine.

(d) Upon the dissolution, liquidation or winding up of the corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the corporation upon such dissolution, liquidation or winding up of the corporation, the holders of the Common Stock, as such, shall be entitled to receive the assets of the corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

FIFTH: The Board of Directors shall be authorized to make, amend, alter, change, add to or repeal the By-Laws of the corporation in any manner not inconsistent with the laws of the State of Delaware, subject to the power of the stockholders to amend, alter, change, add to or repeal the By-Laws made by the Board of Directors. Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 75 percent in voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required in order for the stockholders to alter, amend or repeal any provision of the By-Laws which is to the same effect as Section 3 of Article Fourth, Article Fifth, Article Seventh and Article Eighth of this Amended and Restated Certificate of Incorporation or to adopt any provision inconsistent therewith.

SIXTH: (1) To the fullest extent permitted by the laws of the State of Delaware:

(a) The corporation shall indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals. Notwithstanding the preceding sentence, the corporation shall be required to indemnify a person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such person only if the commencement of such action, suit or proceeding (or part thereof) by such person was authorized by the Board of Directors of the corporation. The corporation shall indemnify any person (and such person's heirs, executors or administrators) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (brought in the right of the corporation or otherwise), whether civil, criminal, administrative or investigative, and whether formal or informal, including appeals, by reason of the fact that such person is or was an employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other enterprise, for and against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or such heirs, executors or administrators in connection with such action, suit or proceeding, including appeals.

(b) The corporation shall promptly pay expenses incurred by any person described in the first sentence of subsection (a) of this Article Sixth, Section (1) in defending any action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, including appeals, upon presentation of appropriate documentation.

(c) The corporation may purchase and maintain insurance on behalf of any person described in subsection (a) of this Article Sixth, Section (1) against any liability asserted against such person, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this Article Sixth, Section (1) or otherwise.

(d) The Corporation is expressly authorized to enter into agreements with any person providing for indemnification greater or different than that provided by this Amended and Restated Certificate of Incorporation.

(e) The provisions of this Article Sixth, Section (1) shall be applicable to all actions, claims, suits or proceedings made or commenced after the adoption hereof, whether arising from acts or omissions to act occurring before or after its adoption. The provisions of this Article Sixth, Section (1) shall be deemed to be a contract between the corporation and each director or officer who serves in such capacity at any time while this Article Sixth, Section (1) and the relevant provisions of the laws of the State of Delaware and other applicable law, if any, are in effect, and any repeal or modification hereof shall not affect any rights or obligations then existing with respect to any state of facts or any action, suit or proceeding then or theretofore existing, or any action, suit or proceeding thereafter brought or threatened based in whole or in part on any such state of facts. If any provision of this Article Sixth, Section (1) shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof. The rights of indemnification provided in this Article Sixth, Section (1) shall neither be exclusive of, nor be deemed in limitation of, any rights to which an officer, director, employee or agent may otherwise be entitled or permitted by contract, this Amended and Restated Certificate of Incorporation, vote of stockholders or directors or otherwise, or as a matter of law, both as to actions in such person's official capacity and actions in any other capacity while holding such office, it being the policy of the corporation that indemnification of any person whom the corporation is obligated to indemnify pursuant to the first sentence of subsection (a) of this Article Sixth, Section (1) shall be made to the fullest extent permitted by law, as the same exists or may in the future be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment.)

(f) For purposes of this Article Sixth, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries.

(2) A director of the corporation shall not be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for paying a dividend or approving a stock repurchase or redemption in violation of Section 174 of the General Corporation Law of the State of Delaware or (iv) for any transaction from which the director derived an improper personal benefit and except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

SEVENTH: (1) The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than eight and not more than fifteen directors, the exact number of directors to be determined from time to time by resolution adopted by affirmative vote of a majority of the total number of Directors that the Corporation would have if there are no vacancies on the Board of Directors. The directors shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors. Class I directors shall be originally elected for a term expiring at the succeeding annual meeting of stockholders, Class II directors shall be originally elected for a term expiring at the second succeeding annual meeting of stockholders, and Class III directors shall be originally elected for a term expiring at the third succeeding annual meeting of stockholders. At each succeeding annual meeting of stockholders following 1999, successors to the class of directors whose term expires at that annual meeting shall be elected for a term expiring at the third succeeding annual meeting. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any newly created directorship on the Board of Directors that results from an increase in the number of directors shall, subject to the rights of holders of any shares of Preferred Stock, be filled only by a majority of the directors then in office, provided that a quorum is present. Any other vacancy may, subject to the rights of holders of any shares of Preferred Stock, be filled only by a majority of the Directors, although less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor. Directors may be removed only for cause, and only by the affirmative vote of at least 75 percent in voting power of all shares of the corporation entitled to vote generally in the election of directors, voting as a single class.

(2) Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stuck issued by the corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, filling of vacancies and other features of such directorships shall be governed by the terms of this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article Seventh unless expressly provided by such terms.

(3) The Board of Directors is hereby expressly authorized to consider the interests of clients and other customers, creditors, employees and other constituencies of the Corporation and its subsidiaries and the effect upon communities in which the Corporation and its subsidiaries do business, in evaluating proposed corporate transactions,

EIGHTH: Subject to the rights of any holders of Preferred Stock to elect additional directors under specified circumstances, any action required or permitted to be taken by the holders of the Common Stock of the corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of stockholders of the corporation may be called only by the Chairman of the Board, if there be one, or the President of the corporation, at the request of the Board of Directors pursuant to a resolution approved by the Board of Directors. The By-Laws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation.

NINTH: Notwithstanding anything contained in this Amended and Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 75 percent in voting power of all the shares of the corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Section 3 of Article Fourth, Article Fifth, Article Seventh, Article Eighth or this Article Ninth or to adopt any provision inconsistent therewith."

Heidrick & Struggles International, Inc. does hereby further certify that this Amended and Restated Certificate of Incorporation was duly adopted by the Board of Directors and by majority written consent of the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, HEIDRICK & STRUGGLES INTERNATIONAL, INC. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Richard D. Nelson, its Secretary this 27th day of April, 1999.

HEIDRICK & STRUGGLES INTERNATIONAL, INC.
By: /s/ Richard D. Nelson
Name: Richard D. Nelson
Title: Secretary

Exhibit 3.02

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That at a meeting of the Board of Directors of Heidrick & Struggles International, Inc. resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "Seventh" so that, as amended, said Article shall be and read as follows:

See attached Exhibit A.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this 11th day of June, 2015

By: /s/ Cynthia A. Lance
Title: SVP, Deputy General Counsel
Name: Cynthia A. Lance

Exhibit A

SEVENTH: (1) The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors consisting of not less than eight and not more than fifteen directors, the exact number of directors to be determined from time to time by a resolution adopted by an affirmative vote of a majority of the total number of directors that the Corporation would have if there were no vacancies on the Board of Directors. Beginning at the annual meeting of stockholders in 2016, the entire Board of Directors will be subject to election at each annual meeting of stockholders, and all directors shall be elected annually for one-year terms expiring at the next succeeding annual meeting of stockholders. A director shall hold office until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any newly created directorship on the Board of Directors that results from an increase in the number of directors shall, subject to the rights of holders of any shares of Preferred Stock, be filled only by a majority of the directors then in office, provided that a quorum is present. Any other vacancy may, subject to the rights of holders of any shares of Preferred Stock, be filled only by a majority of the directors, although less than a quorum, or by a sole remaining director. Any director appointed to fill a vacancy or a newly created directorship shall hold office until the next annual meeting of stockholders, and until his or her successor shall be elected and shall qualify, subject , however, to prior death, resignation, retirement, disqualification or removal from office.

(2) Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the corporation shall have the right, voting separately as a series or separately as a class with one or more such other series, to elect directors at an annual or special meeting of stockholders, the election, term of office, removal, filling of vacancies and other features of such directorships shall be governed by the terms of this Amended and Restated Certificate of Incorporation (including any certificate of designations relating to any series of Preferred Stock) applicable thereto.

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 27, 2020

/s/ Krishnan Rajagopalan

Krishnan Rajagopalan

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark R. Harris, certify that:

1. I have reviewed this 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 27, 2020

/s/ Mark R. Harris

Mark R. Harris

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (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 27, 2020	/s/ Krishnan Rajagopalan
		Krishnan Rajagopalan
		President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION

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

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

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (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 27, 2020	/s/ Mark R. Harris
	Mark R. Harris
	Executive Vice President and Chief Financial Officer