

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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

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: 001-33961

HILL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-0953973

(I.R.S. Employer
Identification No.)

One Commerce Square

2005 Market Street, 17th Floor

Philadelphia, PA

(Address of principal executive offices)

19103

(Zip Code)

Registrant's telephone number, including area code: **(215) 309-7700**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered	
Common Stock, par value \$0.0001	HIL	New York Stock Exchange ("NYSE")	

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 56,677,873 shares of the Registrant's Common Stock outstanding at October 28, 2021.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”), and it is Hill International, Inc.’s (the “Company”) intent that any such statements be protected by the safe harbor created thereby. Except for historical information, the matters set forth herein including, but not limited to, any projections of revenues, earnings, margin, profit improvement, cost savings or other financial items; any statements of belief, any statements concerning the Company’s plans, strategies and objectives for future operations; and any statements regarding future economic conditions or performance, are forward-looking statements.

These forward-looking statements are based on the Company’s current expectations, estimates and assumptions and are subject to certain risks and uncertainties. Although the Company believes that the expectations, estimates and assumptions reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements.

Those forward-looking statements may concern, among other things:

- The markets for the Company’s services;
- Projections of revenues and earnings, anticipated contractual obligations, funding requirements or other financial items;
- Statements regarding the impact and effect of the COVID-19 pandemic;
- Statements concerning the Company’s plans, strategies and objectives for future operations; and
- Statements regarding future economic conditions or the Company’s performance.

Important factors that could cause the Company’s actual results to differ materially from estimates or projections contained in our forward-looking statements include:

- The risks set forth in Item 1A, “Risk Factors,” in the Company’s most recent Annual Report on Form 10-K;
- Unfavorable global economic conditions may adversely impact its business;
- Our backlog, which is subject to unexpected adjustments and cancellations, may not be fully realized as revenue;
- Our expenses may be higher than anticipated;
- Modifications and termination of client contracts;
- Control and operational issues pertaining to business activities that the Company conducts pursuant to joint ventures with other parties; and
- The ability to retain and recruit key technical and management personnel.

Other factors that may affect the Company’s business, financial position or results of operations include:

- Unexpected delays in collections from clients;
- Risks related to the effect of the COVID-19 pandemic on the Company, including its employees and related costs and including any project cancellations, delays and modifications;
- Risks of the Company’s ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Risks of international operations, including uncertain political and economic environments, acts of terrorism or war, potential incompatibilities with foreign joint venture partners, foreign currency fluctuations, civil disturbances and labor issues; and
- Risks related to contracts with governmental entities, including the failure of applicable governing authorities to take necessary actions to secure or maintain funding for particular projects with us, the unilateral termination of contracts by the governments and reimbursement obligations to the government for funds previously received.

The Company does not intend, and undertakes no obligation to, update any forward-looking statement other than as required by law. You should carefully review such cautionary statements as they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. Those cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this Form 10-Q, in our other filings with the Securities and Exchange Commission (“SEC”) or in materials incorporated therein by reference.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

Assets	September 30, 2021 (Unaudited)	December 31, 2020
Cash and cash equivalents	\$ 26,293	\$ 34,229
Cash - restricted	3,811	3,752
Accounts receivable, net	115,049	98,186
Current portion of retainage receivable	11,813	11,775
Accounts receivable - affiliates	29,013	23,285
Prepaid expenses and other current assets	13,494	9,378
Income tax receivable	1,026	2,298
Total current assets	200,499	182,903
Property and equipment, net	8,816	9,443
Cash - restricted, net of current portion	3,069	3,432
Operating lease right-of-use assets	17,908	13,116
Financing lease right-of-use assets	692	288
Retainage receivable	6,988	6,044
Acquired intangibles, net	2,767	2,253
Goodwill	44,903	46,397
Investments	2,511	2,805
Deferred income tax assets	3,880	3,698
Other assets	2,268	1,620
Total assets	\$ 294,301	\$ 271,999
Liabilities and Stockholders' Equity		
Current maturities of notes payable and long-term debt	\$ 22,780	\$ 987
Accounts payable and accrued expenses	80,230	67,797
Income taxes payable	1,021	2,219
Current portion of deferred revenue	4,339	3,305
Current portion of operating lease liabilities	4,937	4,797
Current portion of financing lease liabilities	202	70
Other current liabilities	9,264	5,796
Total current liabilities	122,773	84,971
Notes payable and long-term debt, net of current maturities	29,442	48,294
Retainage payable	285	600
Deferred income taxes	1,299	1,210
Deferred revenue	7,527	7,488
Non-current operating lease liabilities	18,393	13,184
Non-current financing lease liabilities	502	186
Other liabilities	7,253	6,778
Total liabilities	187,474	162,711
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 1,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value; 100,000 shares authorized, 63,249 shares and 62,920 shares issued at September 30, 2021 and December 31, 2020, respectively	6	6
Additional paid-in capital	216,942	215,010
Accumulated deficit	(81,467)	(79,542)
Accumulated other comprehensive (loss) income	(66)	1,318
Less treasury stock of 6,807 at September 30, 2021 and December 31, 2020	(29,056)	(29,056)
Hill International, Inc. share of equity	106,359	107,736
Noncontrolling interests	468	1,552
Total equity	106,827	109,288
Total liabilities and stockholders' equity	\$ 294,301	\$ 271,999

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Consulting fee revenue	\$ 77,061	\$ 71,543	\$ 227,158	\$ 224,453
Reimbursable expenses	19,543	17,109	58,079	51,956
Total revenue	\$ 96,604	\$ 88,652	\$ 285,237	\$ 276,409
Direct expenses	64,196	59,998	194,314	190,078
Gross profit	\$ 32,408	\$ 28,654	\$ 90,923	\$ 86,331
Selling, general and administrative expenses	28,121	25,588	82,906	80,543
Foreign currency exchange loss (benefit)	511	(694)	2,751	3,622
Plus: Share of profit of equity method affiliates	551	983	1,805	2,021
Operating profit	\$ 4,327	\$ 4,743	\$ 7,071	\$ 4,187
Less: Interest and related financing fees, net	1,226	1,275	4,077	3,870
Less: Other loss, net	—	152	—	3,654
Earnings (loss) before income taxes	\$ 3,101	\$ 3,316	\$ 2,994	\$ (3,337)
Income tax expense	1,784	1,071	4,653	2,776
Net earnings (loss)	\$ 1,317	\$ 2,245	\$ (1,659)	\$ (6,113)
Less: net earnings - noncontrolling interests	58	131	265	308
Net earnings (loss) attributable to Hill International, Inc.	\$ 1,259	\$ 2,114	\$ (1,924)	\$ (6,421)
Basic earnings (loss) per common share - Hill International, Inc.	\$ 0.02	\$ 0.04	\$ (0.03)	\$ (0.11)
Basic weighted average common shares outstanding	57,245	56,702	57,102	56,551
Diluted earnings (loss) per common share - Hill International, Inc.	\$ 0.02	\$ 0.04	\$ (0.03)	\$ (0.11)
Diluted weighted average common shares outstanding	57,245	56,702	57,102	56,551

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net earnings (loss)	\$ 1,317	\$ 2,245	\$ (1,659)	\$ (6,113)
Foreign currency translation adjustment, net of tax	(1,177)	639	(2,733)	5,385
Comprehensive earnings (loss)	140	2,884	(4,392)	(728)
Less: Comprehensive (loss) earnings attributable to noncontrolling interests	(32)	376	(1,084)	203
Comprehensive earnings (loss) attributable to Hill International, Inc.	<u>\$ 172</u>	<u>\$ 2,508</u>	<u>\$ (3,308)</u>	<u>\$ (931)</u>

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Hill Share of Stockholders' Equity	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount				Shares	Amount			
Balance - December 31, 2020	62,920	\$ 6	\$ 215,010	\$ (79,542)	\$ 1,318	6,807	\$ (29,056)	\$ 107,736	\$ 1,552	\$ 109,288
Net earnings (loss)	—	—	—	(3,184)	—	—	—	(3,184)	207	(2,977)
Other comprehensive loss	—	—	—	—	(297)	—	—	(297)	(1,259)	(1,556)
Share-based compensation expense	270	—	1,371	—	—	—	—	1,371	—	1,371
Shares issued under employee stock purchase plan	44	—	95	—	—	—	—	95	—	95
Balance - June 30, 2021	63,234	\$ 6	\$ 216,476	\$ (82,726)	\$ 1,021	6,807	\$ (29,056)	\$ 105,721	\$ 500	\$ 106,221
Net earnings	—	—	—	1,259	—	—	—	1,259	58	1,317
Other comprehensive loss	—	—	—	—	(1,087)	—	—	(1,087)	(90)	(1,177)
Share-based compensation expense	3	—	443	—	—	—	—	443	—	443
Shares issued under employee stock purchase plan	12	—	23	—	—	—	—	23	—	23
Balance - September 30, 2021	63,249	\$ 6	\$ 216,942	\$ (81,467)	\$ (66)	6,807	\$ (29,056)	\$ 106,359	\$ 468	\$ 106,827
Balance - December 31, 2019	62,708	\$ 6	\$ 212,759	\$ (71,360)	\$ (3,817)	6,546	\$ (28,231)	\$ 109,357	\$ 871	\$ 110,228
Net earnings (loss)	—	—	—	(8,535)	—	—	—	(8,535)	177	(8,358)
Other comprehensive income (loss)	—	—	—	—	5,096	—	—	5,096	(350)	4,746
Share-based compensation expense	—	—	1,201	—	—	—	—	1,201	—	1,201
Shares issued under employee stock purchase plan	162	—	201	—	—	—	—	201	—	201
Transfer of shares pledged as collateral ⁽¹⁾	(261)	—	—	—	—	261	(825)	(825)	—	(825)
Balance - June 30, 2020	62,609	\$ 6	\$ 214,161	\$ (79,895)	\$ 1,279	6,807	\$ (29,056)	\$ 106,495	\$ 698	\$ 107,193
Net earnings	—	—	—	2,114	—	—	—	2,114	131	2,245
Other comprehensive income	—	—	—	—	394	—	—	394	245	639
Share-based compensation expense	—	—	415	—	—	—	—	415	—	415
Shares issued under employee stock purchase plan	16	—	20	—	—	—	—	20	—	20
Balance - September 30, 2020	62,916	\$ 6	\$ 214,596	\$ (77,781)	\$ 1,673	6,807	\$ (29,056)	\$ 109,438	\$ 1,074	\$ 110,512

(1) Reflects 261 shares of the Company's common stock pledged as collateral under the terms of a secured promissory note payable to the Company. During the three months ended March 31, 2020, the Company exercised its right to retain the shares upon the note holder's agreement to relinquish the shares upon the promissory note maturity date.

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (1,659)	\$ (6,113)
Adjustments to reconcile net loss to net cash provided by (used in):		
Depreciation and amortization	1,856	3,380
Recovery of bad debts	(2,794)	(1,306)
Amortization of deferred loan fees	568	521
Deferred tax expense	(120)	500
Share-based compensation	1,814	1,616
Operating lease right-of-use assets	3,306	3,163
Loss on liquidation of subsidiary	—	4,064
Foreign currency remeasurement losses	2,510	3,622
Deferred payroll tax payments	—	2,711
Changes in operating assets and liabilities:		
Accounts receivable	(15,521)	4,686
Accounts receivable - affiliate	(5,728)	(6,294)
Prepaid expenses and other current assets	(3,951)	(2,418)
Income taxes receivable	1,232	39
Retainage receivable	(953)	(416)
Other assets	(1,926)	(2,643)
Accounts payable and accrued expenses	13,181	1,641
Income taxes payable	(1,202)	(1,161)
Deferred revenue	1,482	(2,451)
Operating lease liabilities	(2,698)	(3,259)
Other current liabilities	3,432	3,426
Retainage payable	(314)	(730)
Other liabilities	492	688
Net cash (used in) provided by operating activities	(6,993)	3,266
Cash flows from investing activities:		
Purchase of NEYO Group	(681)	—
Purchase of property and equipment	(1,197)	(1,101)
Net cash used in investing activities	(1,878)	(1,101)
Cash flows from financing activities:		
Proceeds from term loans	—	1,291
Repayment of term loans	(802)	(666)
Proceeds from revolving loans	29,785	38,486
Repayment of revolving loans	(25,816)	(24,268)
Proceeds from stock issued under employee stock purchase plan	118	221
Net cash provided by financing activities	3,285	15,064
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,654)	(97)
Deconsolidated cash	—	9
Net (decrease) increase in cash, cash equivalents and restricted cash	(8,240)	17,123
Cash, cash equivalents and restricted cash — beginning of period	41,413	24,982
Cash, cash equivalents and restricted cash — end of period	\$ 33,173	\$ 42,105
	Nine Months Ended September 30,	
	2021	2020
Supplemental disclosures of cash flow information:		
Interest and related financing fees paid	\$ 3,520	\$ 2,722
Income taxes paid	3,830	2,018
Transfer of proceeds from shares pledged as collateral to treasury stock	—	825
Cash paid for amounts included in the measurement of lease liabilities	4,897	5,914
Right-of-use assets obtained in exchange for operating lease liabilities	8,568	288
Right-of-use assets obtained in exchange for finance lease liabilities	538	475

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Note 1 — The Company

Hill International, Inc. (“Hill” or the “Company”) is a professional services firm that provides program management, project management, construction management and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets worldwide. Hill’s clients include the U.S. federal government, U.S. state and local governments, foreign governments and the private sector.

All amounts included in the following Notes to the Consolidated Financial Statements are in thousands, unless otherwise indicated, except per share data.

Note 2 — Liquidity

At September 30, 2021 and December 31, 2020, the Company's principal sources of liquidity consisted of \$26,293 and \$34,229 of cash and cash equivalents, respectively, \$4,591 and \$7,495 of available borrowing capacity under the Domestic Revolving Credit Facility, respectively, \$1,614 and \$1,085 of available borrowing capacity under the International Revolving Credit Facility, respectively, and \$6,131 and \$3,131 under other foreign credit agreements, respectively. Additional information regarding the Company's credit facilities is set forth in Note 9 - Notes Payable and Long-Term Debt.

In March 2020, the World Health Organization declared COVID-19 a global pandemic as a result of the further spread of the virus into all regions of the world, including those regions where the Company's primary operations occur. Variants of the virus continue to emerge in various region and countries worldwide. The Company is focused on preserving its principal sources of liquidity and managing its cash flow and will continue to evaluate the potential short-term and long-term implications of COVID-19 on its consolidated statements of operations. The Company believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 for the next 12 months from November 8, 2021, the date of this filing. Additional disclosure on the impact of COVID-19 on the Company is included in Part I. Item 2 Management's Discussion and Analysis section of this Form 10-Q.

Note 3 — Basis of Presentation

Summary

The accompanying unaudited interim consolidated financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) pertaining to reports on Form 10-Q and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. Accordingly, the accompanying unaudited interim consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. In the opinion of management, these statements include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the consolidated financial statements. The consolidated financial statements include the accounts of Hill and its wholly and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The interim operating results are not necessarily indicative of the results for a full year.

NEYO Group Acquisition

On June 30, 2021, the Company acquired all of the equity interests of NEYO Group, a 120-person firm specializing in cost management and estimating support and also providing project management, project monitoring, and other services. NEYO maintains offices in Bangalore, Chennai, Delhi, and Mumbai, as well as project offices in Hyderabad, Pune, and Kolkata.

Reclassification

Certain geographic regions have been combined in tables throughout the document including in Note 4 - Revenue from Contract with Clients and Note 12 - Segment and Related Information. In the current year, Americas includes United States and Latin America and Middle East/Asia/Pacific includes Middle East and Asia/Pacific. The related presentation for the three and nine months ended September 30, 2020 has been recast to conform to current year presentation.

Other Loss, net

During the nine months ended September 30, 2020, a loss of \$4,064 was recognized due to the bankruptcy filing and deconsolidation of our operating subsidiary in Brazil (see Note 15), net of other non-operating income of \$65. An additional \$345 of other income was recognized during the three months ended March 31, 2020, representing the cancellation of a loan agreement made with the PIDC-Local Development Corporation that was funded to the Company on October 24, 2014 as part of the city of Philadelphia's (the "City") Economic Stimulus Program. In February 2020, the City agreed to cancel this loan as a result of the Company satisfying all obligations upon which cancellation of such debt was conditioned in such loan agreement.

Summary of Significant Accounting Policies

(a) Foreign Currency Translations and Transactions

Assets and liabilities of all foreign operations are translated at period-end rates of exchange while revenues and expenses are translated at the average monthly exchange rates. Gains or losses resulting from translating foreign currency financial statements are accumulated in a separate component of stockholders' equity titled accumulated other comprehensive income (loss) until the entity is sold or substantially liquidated. Gains or losses arising from foreign currency transactions (transactions denominated in a currency other than the entity's local currency), including those resulting from intercompany transactions, are reflected in the Company's consolidated statements of operations. The impact of foreign exchange on long-term intercompany loans, for which repayment has not been scheduled or planned and permanent equity has been elected, are recorded in accumulated other comprehensive income (loss) on the Company's consolidated balance sheets.

(b) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and accounts receivable.

The Company maintains its cash accounts with high quality financial institutions. Although the Company believes that the financial institutions with which it does business will be able to fulfill their commitments, there is no assurance that those institutions will be able to continue to do so.

No single client accounted for 10% or more of total revenue for the three and nine months ended September 30, 2021 or 2020.

There was one client in Africa who represents 10% or more to gross accounts receivable at September 30, 2021 and December 31, 2020, respectively, which represents 14% and 16% of the gross accounts receivable balance at September 30, 2021 and December 31, 2020, respectively. These amounts were fully reserved for at September 30, 2021 and December 31, 2020.

(c) Allowance for Doubtful Accounts

The allowance for doubtful accounts is an estimate prepared by management based on identification of the collectability of specific accounts and the overall condition of the receivable portfolios. When evaluating the adequacy of the allowance for doubtful accounts, the Company specifically analyzes trade receivables, including retainage receivable, historical bad debts, client credits, client concentrations, current economic trends and changes in client payment terms. If the financial condition of clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Likewise, should the Company determine that it would be able to realize more of its receivables in the future than previously estimated, an adjustment to the allowance would increase earnings in the period such determination was made. The allowance for doubtful accounts is reviewed on a quarterly basis and adjustments are recorded as deemed necessary.

(d) Retainage Receivable

Retainage receivable represents balances billed but not paid by clients pursuant to retainage provisions in certain contracts and will be due upon completion of specific tasks or the completion of the contract.

(e) Income Taxes

The Company estimates income taxes in each of the jurisdictions in which it operates. This process involves estimating its actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's consolidated balance sheets. The Company assesses the likelihood that the deferred tax assets will be recovered from future taxable income and to the extent it believes recovery is not likely, the Company establishes a valuation allowance. To the extent the Company establishes a valuation allowance in a period, it must include an expense within the tax provision in the consolidated statements of operations. The Company has recorded a valuation allowance to reduce the deferred income tax assets to an amount that is more likely than not to be realized in future years. If the Company determines in the future that it is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position, that the deferred tax assets subject to the valuation allowance will be realized, then the previously provided valuation allowance will be adjusted.

The Company recognizes a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is more likely than not that the benefit will be ultimately realized. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods.

(f) Revenue Recognition

The Company generates revenue primarily from providing professional services to its clients under various types of contracts. In providing these services, the Company may incur reimbursable expenses, which consist principally of amounts paid to subcontractors and other third parties and travel and other job related expenses that are contractually reimbursable from clients. The Company includes reimbursable expenses in computing and reporting its total revenue as long as the Company remains responsible to the client for the fulfillment of the contract and for the overall acceptability of all services provided.

If estimated total costs on any contract project a loss, the Company charges the entire estimated loss to operations in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses, and others are recorded in the accounting period in which the events indicating a loss are known and the loss can be reasonably estimated. These loss projects are re-assessed for each subsequent reporting period until the project is complete. Such revisions could occur at any time, and the effects may be material.

See Note 4 - Revenue from Contracts with Clients for more detail regarding how the Company recognizes revenue under each type of its contractual arrangements.

(g) Restricted Cash

Restricted cash primarily represents cash collateral required to be maintained in foreign bank accounts to serve as collateral for letters of credit, bonds or guarantees on certain projects. The cash will remain restricted until the respective project has been completed, which typically is greater than one year.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows:

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 26,293	\$ 34,229
Cash - restricted	3,811	3,752
Cash - restricted, net of current portion	3,069	3,432
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 33,173</u>	<u>\$ 41,413</u>

(h) Earnings (loss) per Share

Basic earnings (loss) per common share have been computed using the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per common share incorporates the incremental shares issuable upon the assumed exercise of stock options and the assumed vesting of stock and deferred and restricted stock unit awards using the treasury stock method, if dilutive.

The Company has outstanding options to purchase approximately 1,353 shares and 1,589 shares at September 30, 2021 and 2020, respectively. In addition, the Company had 1,038 and 715 restricted and deferred stock units outstanding at September 30, 2021 and 2020, respectively. These awards were excluded from the calculation of diluted loss per share for the three and nine months ended September 30, 2021 and 2020 because they were anti-dilutive.

The following table provides a reconciliation to net loss used in the numerator for loss per share attributable to Hill:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net earnings (loss)	\$ 1,317	\$ 2,245	\$ (1,659)	\$ (6,113)
Less: net earnings - noncontrolling interests	58	131	265	308
Net earnings (loss) attributable to Hill International, Inc.	\$ 1,259	\$ 2,114	\$ (1,924)	\$ (6,421)
Basic weighted average common shares outstanding	57,245	56,702	57,102	56,551
Effect of dilutive securities:				
Stock options	—	—	—	—
Unvested share-based compensation units	—	—	—	—
Diluted weighted average common shares outstanding	57,245	56,702	57,102	56,551
Basic and diluted earnings (loss) per common share - Hill International, Inc.	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ (0.03)</u>	<u>\$ (0.11)</u>

(i) New Accounting Pronouncements

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB’s Accounting Standards Codification (“ASC”). The Company considers the applicability and impact of all ASUs and, based on its assessment, determined that any recently issued or proposed ASUs not listed below are either not applicable to the Company or adoption will have minimal impact on its consolidated financial statements.

For additional information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 3 to the consolidated financial statements in Item 8 of Form 10-K for the year ended December 31, 2020 filed with the SEC on March 16, 2021. See update below.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12 - *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes*, which removes certain exceptions to the general principles in ASC 740 and improves how certain income tax-related guidance is applied. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption was permitted. The amendments in this update were applied prospectively. The Company adopted the new standard as of January 1, 2021. The standard did not have a material impact on the Company's consolidated financial position or results of operations upon adoption.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326) - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. This ASU will be effective for the Company commencing January 1, 2023. The Company is in the process of assessing the impact of this ASU on our consolidated financial statements and disclosures.

Note 4 — Revenue from Contracts with Clients

The Company recognizes revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods or services.

Below is a description of the basic types of contracts from which the Company may earn revenue:

Time and Materials Contracts

Under the time and materials ("T&M") arrangements, contract fees are based upon time and materials incurred. The contracts may be structured as basic time and materials, cost plus a margin or time and materials subject to a maximum contract value (the "cap value"). Due to the potential limitation of the cap value, the economic factors of the contracts subject to a cap value differ from the economic factors of basic T&M and cost plus contracts. The majority of the Company's contracts are for consulting projects where it bills the client monthly at hourly billing rates. The hourly billing rates are determined by contract terms. Under cost plus a margin contracts, the Company charges its clients for its costs, plus a fixed fee or rate. Under time and materials contracts with a cap value, the Company charges the clients for time and materials based upon the work performed however there is a cap or a not to exceed value. There are often instances that a contract is modified to extend the contract value past the cap. As the consideration is variable depending on the outcome of the contract renegotiation, the Company will estimate the total contract price in accordance with the variable consideration guidelines and will only include consideration that it expects to receive from the client. When the Company is reaching the cap value, the contract will be renegotiated, or Hill ceases work when the maximum contract value is reached. The Company will continue to work if it is probable that the contract will be extended. The Company will only include consideration for contract renegotiation's to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the Company continues to work and is uncertain that a contract change order will be processed, the variable consideration will be constrained to the cap until it is probable that the contract will be renegotiated. The Company is only entitled to consideration for the work it has performed, and the cap value is not a guaranteed contract value.

Fixed Price Contracts

Under fixed price contracts, the Company's clients pay an agreed amount negotiated in advance for a specified scope of work. The Company is guaranteed to receive the consideration to the extent that the Company delivers under the contract. The Company recognizes revenue over a period of time on fixed price contracts using the input method based upon direct costs incurred to date, which are compared to total projected direct costs. Costs are the most relevant measure to determine the transfer of the service to the client. The Company assesses contracts quarterly and will recognize any expected future loss before actually incurring the loss. When the Company is expecting to reach the total value under the contract, the Company will begin to negotiate a change order.

Change Orders and Claims

Change orders are modifications of an original contract. Either the Company or its client may initiate change orders. They may include changes in specifications or design, manner of performance, facilities, equipment, materials, sites and period of completion of the work. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the client's written approval of such changes or separate documentation of change order costs that are identifiable. Change orders may take time to be formally documented and terms of such change orders are agreed with the client before the work is performed. Sometimes circumstances require that work progresses before an agreement is reached with the client. If the Company is having difficulties in renegotiating the change order, the Company will stop work if possible, record all costs incurred to date, and determine, on a project by project basis, the appropriate final revenue recognition.

Claims are amounts in excess of the agreed contract price that the Company seeks to collect from its clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute or are unapproved as to both scope and price, or other causes of unanticipated additional contract costs. Costs related to change orders and claims are recognized when they are incurred. The Company evaluates claims on an individual basis and recognizes revenue it believes is probable to collect.

U.S. Federal Acquisition Regulations

The Company has contracts with the U.S. government that contain provisions requiring compliance with the U.S. Federal Acquisition Regulations ("FAR"). These regulations are generally applicable to all of its federal government contracts and are partially or fully incorporated in many local and state agency contracts. They limit the recovery of certain specified indirect costs on contracts subject to the FAR. Cost-plus contracts covered by the FAR provide for upward or downward adjustments if actual recoverable costs differ from the estimate billed under forward pricing arrangements. Most of the Company's federal government contracts are subject to termination at the convenience of the federal government. Contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

Federal government contracts that are subject to the FAR and that are required by state and local governmental agencies to be audited are performed, for the most part, by the Defense Contract Audit Agency ("DCAA"). The DCAA audits the Company's overhead rates, cost proposals, incurred government contract costs and internal control systems. During the course of its audits, the DCAA may question incurred costs if it believes the Company has accounted for such costs in a manner inconsistent with the requirements of the FAR or Cost Accounting Standards and recommend that its U.S. government corporate administrative contracting officer disallow such costs. Historically, the Company has not incurred significant disallowed costs because of such audits. However, the Company can provide no assurance that the DCAA audits will not result in material disallowances of incurred costs in the future.

Disaggregation of Revenues

The Company has one operating segment, the Project Management Group, which reflects how the Company is being managed. Additional information related to the Company's operating segment is provided in Note 12 - Segment and Related Information. The Project Management Group provides extensive construction and project management services to construction owners worldwide. The Company considered the type of client, type of contract and geography for disaggregation of revenue. The Company determined that disaggregating by (1) contract type; and (2) geography would provide the most meaningful information to understand the nature, amount, timing, and uncertainty of its revenues. The type of client does not influence the Company's revenue generation. Ultimately, the Company is supplying the same services of program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, project labor agreement consulting, commissioning, estimating and cost management, labor compliance services and facilities management services. The Company's contracts are generally long term contracts that are either based upon time and materials incurred or provide for a fixed price. The contract type will determine the level of risk in the contract related to revenue recognition. For purposes of disaggregation of revenue, the contract types have been grouped into: (1) Fixed Price - which include fixed price projects; and, (2) T&M - which include T&M contracts, T&M with a cap and cost plus contracts. The geography of the contracts will depict the level of global economic factors in relation to revenue recognition.

The components of the Company's revenue by contract type and geographic region for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	Fixed Price	T&M	Total	Percent of Total Revenue	Fixed Price	T&M	Total	Percent of Total Revenue
Americas	\$ 5,398	\$ 45,964	\$ 51,362	53.1 %	\$ 5,046	\$ 43,149	\$ 48,195	54.4 %
Middle East/Asia/Pacific	773	20,848	21,621	22.4 %	7,655	15,074	22,729	25.6 %
Europe	10,898	2,999	13,897	14.4 %	7,387	4,078	11,465	12.9 %
Africa	1,125	8,599	9,724	10.1 %	(75)	6,338	6,263	7.1 %
Total	\$ 18,194	\$ 78,410	\$ 96,604	100.0 %	\$ 20,013	\$ 68,639	\$ 88,652	100.0 %

	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	Fixed Price	T&M	Total	Percent of Total Revenue	Fixed Price	T&M	Total	Percent of Total Revenue
Americas	\$ 14,778	\$ 132,923	\$ 147,701	51.7 %	\$ 15,736	\$ 130,094	\$ 145,830	52.8 %
Middle East/Asia/Pacific	7,000	56,320	63,320	22.2 %	16,481	55,846	72,327	26.2 %
Europe	25,247	19,695	44,942	15.8 %	25,566	11,868	37,434	13.5 %
Africa	2,027	27,247	29,274	10.3 %	201	20,617	20,818	7.5 %
Total	\$ 49,052	\$ 236,185	\$ 285,237	100.0 %	\$ 57,984	\$ 218,425	\$ 276,409	100.0 %

The Company recognizes revenue as it transfers promised goods or services to clients in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company exercises judgment in determining if the contractual criteria are met to determine if a contract with a client exists, specifically in the earlier stages of a project when a formally executed contract may not yet exist. The Company typically has one performance obligation under a contract to provide fully-integrated project management services, and, occasionally, a separate performance obligation to provide facilities management services. Performance obligations are delivered over time as the client receives the service. The consideration promised within a contract may include fixed amounts, variable amounts, or both. Variable consideration is included in the transaction price only to the extent it is probable, in the Company's judgment, that a significant future reversal in the amount of cumulative revenue recognized under the contract will not occur. In estimating the transaction price for pending change orders, the Company considers all relevant facts, including documented correspondence with the client regarding acknowledgment and/or agreement with the modification, as well as historical experience with the client or similar contractual circumstances. The Company transfers control of its service over time and, therefore, satisfies a performance obligation and recognizes revenue over time by measuring the progress toward complete satisfaction of that performance obligation. The Company's fixed price projects and T&M with a cap contracts expected to exceed the cap value generally use a cost-based input method to measure its progress towards complete satisfaction of the performance obligation as the Company believes this best depicts the transfer of control to the client. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Due to the nature of the work required to be performed under the Company's performance obligations, estimating total revenue and cost at completion on its long-term contracts is complex, subject to many variables and requires significant judgment.

For basic and cost-plus T&M contracts and T&M with a cap, not expected to exceed the cap, contracts, the Company recognizes revenue over time using the output method which measures progress toward complete satisfaction of the performance obligation based upon actual costs incurred, using the right to invoice practical expedient.

Accounts Receivable

Accounts receivable includes amounts billed and currently due from clients and amounts for work performed which have not been billed to date. The billed and unbilled amounts are stated at the net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of client creditworthiness, historical payment experience and the age of outstanding receivables.

Contract Assets and Liabilities

Contract assets include unbilled amounts typically resulting from performance under long-term contracts where the revenue recognized exceeds the amount billed to the client. Retainage receivable is included in contract assets. The current portion of retainage receivable is a contract asset, which prior to the adoption of ASC 606, had been classified within accounts receivable.

The Company's contract liabilities consist of advance payments and billings in excess of revenue recognized and are reported as deferred revenue in the consolidated balance sheets. The Company classifies billings in excess of revenue recognized as deferred revenue as current or non-current based on the timing of when revenue is expected to be recognized.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing of the Company's performance and client payments. The amount of revenue recognized during the three months ended September 30, 2021 and 2020 that was included in the deferred revenue balance at the beginning of the periods was \$456 and \$579, respectively. The amount of revenue recognized during the nine months ended September 30, 2021 and 2020 that was included in the deferred revenue balance at the beginning of the periods was \$4,051 and \$571, respectively.

Remaining Performance Obligations

The remaining performance obligations represent the aggregate transaction price of executed contracts with clients for which work has partially been performed or not started as of the end of the reporting period. The Company's remaining performance obligations include projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions. T&M contracts are excluded from the remaining performance obligation as these contracts are not fixed price contracts and the consideration expected under these contracts is variable as it is based upon hours and costs incurred in accordance with the variable consideration optional exemption. As of September 30, 2021 and December 31, 2020, the aggregate amount of the transaction price allocated to remaining performance obligations was \$92,155 and \$101,800, respectively. During the following 12 months, approximately 58.8% of the remaining performance obligations are expected to be recognized as revenue with the remaining balance recognized over 1 to 6 years.

Note 5 — Accounts Receivable

The components of accounts receivable and accounts receivable - affiliates reflected in the Company's consolidated balance sheets are as follows:

Accounts Receivable	September 30, 2021	December 31, 2020
Billed ⁽¹⁾	\$ 104,228	\$ 113,021
Unbilled ⁽²⁾	51,719	37,960
	<u>155,947</u>	<u>150,981</u>
Allowance for doubtful accounts ⁽¹⁾	(40,898)	(52,795)
Accounts receivable, net	<u>\$ 115,049</u>	<u>\$ 98,186</u>
Accounts Receivable - Affiliates		
Billed ⁽³⁾	\$ 14,776	\$ 15,560
Unbilled ⁽²⁾	14,938	8,380
	<u>\$ 29,714</u>	<u>\$ 23,940</u>
Allowance for doubtful accounts	(701)	(655)
Accounts receivable - affiliates, net	<u>\$ 29,013</u>	<u>\$ 23,285</u>

(1) Includes \$24,025 and \$33,242 related to amounts due from a client in Libya as of September 30, 2021 and December 31, 2020, respectively, which were both fully reserved for in the allowance for doubtful accounts. The decrease in the balance at September 30, 2021 from December 31, 2020 is primarily due to the devaluation of the Libyan Dinar.

(2) Amounts are net of unbilled reserves.

(3) Includes \$1,568 and \$1,303 of retainage receivables due from affiliates as of September 30, 2021 and December 31, 2020, respectively.

Note 6 — Intangible Assets

The following table summarizes the Company’s acquired intangible assets:

	September 30, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Engineering license	\$ 2,653	\$ —	\$ 2,100	\$ —
Client relationships	509	395	509	356
Total	\$ 3,162	\$ 395	\$ 2,609	\$ 356
Intangible assets, net	\$ 2,767		\$ 2,253	

During the year ended December 31, 2020, the Company acquired a Grandfathered Engineering Corporation license which was determined to have an indefinite useful life and therefore it is not amortized.

The Company amortizes client relationship intangible assets over the estimated useful life of ten years. Such amortization expense was \$13 for the three months ended September 30, 2021 and 2020 and \$38 and \$67 for the nine months ended September 30, 2021 and 2020, respectively.

The following table presents the estimated amortization expense for the next five years:

Year ending December 31,	Estimated Amortization Expense
2021 (remaining 3 months)	\$ 13
2022	51
2023	51
2024	—
2025	—

Note 7 — Goodwill

The following table summarizes the changes in the Company’s carrying value of goodwill during the nine months ended September 30, 2021:

Balance, December 31, 2020	\$ 46,397
Additions ⁽¹⁾	162
Translation adjustments ⁽²⁾	(1,656)
Balance, September 30, 2021	\$ 44,903

(1) Refer to Note 3 - Basis of Presentation, *NEYO Group Acquisition* subsection.

(2) The translation adjustment was calculated based on the foreign currency exchange rates as of September 30, 2021.

The Company performed its 2021 annual impairment test effective July 1, 2021 and noted no impairment. Based on the valuation as of July 1, 2021, the fair value of the Company exceeded its carrying value. The Company performs its annual impairment test during the second half of each year unless events or circumstances indicate an impairment may have occurred before that time.

The Company's changes in estimates and assumptions, including decreases in stock price and market capitalization, could materially affect the determination of fair value and/or conclusions on goodwill impairment. As a result of recent events, including market volatility and the impact on the global economy, it is at least reasonably possible that changes in one or more of those assumptions could result in impairment of our goodwill in future periods.

Note 8 — Accounts Payable and Accrued Expenses

Below are the components of accounts payable and accrued expenses:

	September 30, 2021	December 31, 2020
Accounts payable	\$ 33,852	\$ 20,953
Accrued payroll and related expenses*	24,824	28,508
Accrued subcontractor fees	11,669	8,711
Accrued agency fees	4,450	4,239
Accrued legal and professional fees	1,435	2,894
Other accrued expenses*	4,000	2,492
	<u>\$ 80,230</u>	<u>\$ 67,797</u>

\$1,818 in costs related to the Company's end of service benefit plan at December 31, 2020 that were previously included in other accrued expenses and are now reflected in accrued payroll and related expenses.

Note 9 — Notes Payable and Long-Term Debt

The table below reflects the Company's notes payable and long-term debt, which includes credit facilities:

Loan	Maturity	Interest Rate Type	Interest Rate ⁽¹⁾		Balance Outstanding as of	
			September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Secured Credit Facilities						
Hill International, Inc. - Société Générale 2017 Term Loan Facility	06/20/2023	Variable	7.54%	7.67%	\$ 28,725	\$ 28,950
Hill International, Inc. - Société Générale Domestic Revolving Credit Facility ⁽²⁾	05/04/2022	Variable	5.16%	5.50%	17,400	14,400
Hill International N.V. - Société Générale International Revolving Credit Facility ⁽³⁾	05/04/2022	Variable	4.07%	4.11%	4,747	4,035
Unsecured Credit Facilities						
Hill International, Inc. - First Abu Dhabi Bank ("FAB") PJSC Overdraft Credit Facility ⁽⁴⁾	04/18/2022	Variable	5.71%	5.65%	—	—
Hill International (North Africa) Ltd - Arab Bank PLC ("Arab Bank") Payroll Overdraft Facility ⁽⁵⁾	07/16/2022	Variable	N/A	N/A	—	N/A
Hill International (North Africa) Ltd - Arab Bank General Simple Assignment of Contracts Overdraft Facility ⁽⁵⁾	07/16/2022	Variable	N/A	N/A	—	N/A
Unsecured Notes Payable and Long-Term Debt						
Hill International Spain S.A.-Bankia S.A. & Bankinter S.A. ⁽⁶⁾	12/31/2021	Fixed	2.21%	2.21%	139	581
Philadelphia Industrial Development Corporation Loan	04/01/2027	Fixed	2.79%	2.79%	373	421
Hill International Spain S.A. - Bankinter S.A. 2020 Term Loan ⁽⁵⁾⁽⁶⁾	05/04/2024	Variable	2.23%	2.23%	267	357
Hill International Spain S.A. - Banco Santander, S.A. Term Loan ⁽⁵⁾⁽⁶⁾	05/30/2025	Fixed	3.91%	3.91%	320	367
Hill International Spain S.A. - BBVA, S.A. P.P. Term Loan ⁽⁵⁾⁽⁶⁾	06/19/2025	Variable	2.28%	2.28%	327	367
Hill International Spain S.A. - Bankia. S.A. 2020 Term Loan ⁽⁵⁾⁽⁶⁾	06/05/2025	Variable	2.54%	2.54%	270	303
Total notes payable and long-term debt, gross					\$ 52,568	\$ 49,781
Less: unamortized discount and deferred financing costs related to Société Générale 2017 Term Loan Facility					(346)	(500)
Notes payable and long-term debt					<u>\$ 52,222</u>	<u>\$ 49,281</u>
Current portion of notes payable					22,979	1,171
Current portion of unamortized debt discount and deferred financing costs					(199)	(184)
Current maturities of notes payable and long-term debt					<u>\$ 22,780</u>	<u>\$ 987</u>
Notes payable and long-term debt, net of current maturities					<u>\$ 29,442</u>	<u>\$ 48,294</u>

Footnotes to the Notes Payable and Long-Term Debt Table above:

- (1) Interest rates for variable interest rate debt are reflected on a weighted average basis through September 30, 2021 since the loan origination or modification date.
- (2) As of September 30, 2021 and December 31, 2020, the Company had \$6,509 and \$6,605 of outstanding letters of credit, respectively, in addition to the balances outstanding above, which resulted in \$4,591 and \$7,495 of available borrowing capacity under the Domestic Revolving Credit Facility, respectively. The amounts available were based on the maximum borrowing capacity of \$28,500 as of September 30, 2021 and December 31, 2020. See 'Secured Credit Facilities' section below for further information.
- (3) As of September 30, 2021 and December 31, 2020, the Company had \$558 and \$2,189 of outstanding letters of credit, respectively, in addition to the balances outstanding above, which resulted in \$1,614 and \$1,085 of available borrowing capacity under the International Revolving Credit Facility, respectively. The amounts available were based on the Company's borrowing capacity of \$6,919 and \$7,309 as of September 30, 2021 and December 31, 2020, respectively. See "Secured Credit Facilities" section below for further information.
- (4) FAB credit facility lender was formerly known as National Bank of Abu Dhabi. There is no stated maturity date; however, the facility is subject to be reviewed annually in April by FAB, or at any other time as determined by FAB. Therefore, the amount outstanding is reflected within the current maturities of notes payable and long-term debt. Balances outstanding are reflected in U.S. dollars based on the conversion rates from AED as of September 30, 2021 and December 31, 2020. The Company had \$3,131 of availability under the credit facility as of September 30, 2021 and December 31, 2020.
- (5) In July 2021, the Company, through one of its subsidiaries, entered into two overdraft facilities with Arab Bank. There is no stated maturity date however, the facilities are subject to be reviewed annually in July by Arab Bank. Amounts may be drawn in either Egyptian Pounds or in the U.S. Dollar. Interest rates are equal to 1.0%, plus the Central Bank of Egypt ("CBE") corridor rate. No amounts have been drawn on as of September 30, 2021. The Company had \$3,000 of availability under the credit facilities as of September 30, 2021.
- (6) Balances outstanding are reflected in U.S. dollars based on the conversion rates from Euros as of September 30, 2021 and December 31, 2020.
- (7) Includes loan agreements, through a subsidiary of the Company, entered into between April and June 2020, where the respective loan agreements require interest-only monthly payments during grace periods that last from six months or one year from the date of the agreements. The variable interest loans are subject to either semi-annual or annual review by the respective lenders thereof and the respective interest rates in respect thereof are determined based on the European Inter-Bank Offered Rate, or "EURIBOR," for the relevant interest period (or at a substitute rate to be determined to the extent EURIBOR is not available), plus a margin, as set by the respective lender.

Secured Credit Facilities

The Company's secured credit facilities with Société Générale (the "International Lender") and other U.S. Loan Parties (the "U.S. Lenders") under a 2017 Term Loan of \$30,000 (the "2017 Term Loan Facility"), a \$25,000 U.S.-denominated revolving credit facility (the "Domestic Revolving Credit Facility"; together with the 2017 Term Loan Facility, the "U.S. Credit Facilities") and a €9,156 (\$10,000 at closing) Euro-denominated revolving credit facility (the "International Revolving Credit Facility"; together with the U.S. Credit Facilities, the "Secured Credit Facilities") contain customary default provisions, representations and warranties, and affirmative and negative covenants, and require the Company to comply with certain financial and reporting covenants. The financial covenant is comprised of a maximum Consolidated Net Leverage Ratio of 3.00 to 1.00 for any fiscal quarter ending on or subsequent to March 31, 2017 for the trailing twelve months then-ended. The Consolidated Net Leverage Ratio is the ratio of (a) consolidated total debt (minus unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, depreciation, amortization, share-based compensation and other non-cash charges, including bad debt expense, certain one-time litigation and transaction related expenses, and restructuring charges for the trailing twelve months. In the event of a default, the U.S. Lender and the International Lender may increase the interest rates by 2.0%. The Company was in compliance with this financial covenant at September 30, 2021.

On April 1, 2020, the Company amended its Secured Credit Facilities, which increased the credit commitment with one of the U.S. Lenders under the Domestic Revolving Credit Facility by \$3,500 from \$25,000 to \$28,500 and simultaneously decreased the credit commitment with the International Lender under the International Revolving Credit Facility by €3,179 (approximately \$3,500 at closing) from €9,156 (approximately \$10,000) to €5,977 (approximately \$6,536 at closing).

The aggregate unamortized debt issuance costs under the Domestic Revolving Credit Facility and International Revolving Credit Facility were \$403 and \$755 at September 30, 2021 and December 31, 2020, respectively, and were included in prepaid expenses and other current assets and other assets in the consolidated balance sheets.

The interest rate on borrowings under the Domestic Revolving Credit Facility are, at the Company's option, either the LIBOR rate for the relevant interest period plus 3.75% per annum or the Base Rate plus 2.75% per annum. The interest rate on borrowings under the International Revolving Credit Facility will be the EURIBOR for the relevant interest period (or at a substitute rate to be determined to the extent EURIBOR is not available), plus 4.50% per annum.

Commitment fees are paid quarterly and are calculated at 0.50% annually on the average daily unused portion of the Domestic Revolving Credit Facility, and are calculated at 0.75% annually on the average daily unused portion of the International Revolving Credit Facility.

Generally, the obligations of the Company under the Domestic Revolving Credit Facility are secured by a first-priority security interest in the Eligible Domestic Receivables (as defined in the Domestic Revolving Credit Facility), cash proceeds and bank accounts of the Company and certain of the Company's U.S. subsidiaries, and a second-priority security interest in substantially all other assets of the Company and such subsidiaries. The obligations of the Subsidiary (as defined in the International Revolving Credit Facility) under the International Revolving Credit Facility are generally secured by a first-priority security interest in substantially all accounts receivable and cash proceeds thereof, certain bank accounts of the Subsidiary and certain of the Company's non-U.S. subsidiaries, and a second-priority security interest in substantially all other assets of the Company and certain of the Company's U.S. and non-U.S. subsidiaries.

The Company is in discussions with both existing lenders and potential new lenders to refinance the Secured Credit Facilities prior to their maturity in May 2022 for the Domestic and International Revolving Credit Facilities and June 2023 for the 2017 Term Loan Facility.

Other Financing Arrangements

On May 1, 2021, subsequent to the maturity of the Company's previous commercial premium financing arrangement in April 30, 2021 with AFCO Premium Credit LLC ("AFCO"), the Company entered into a new financing agreement for the renewal of its corporate insurance policies with AFCO for \$3,350. The terms of the arrangement include a \$503 down payment, followed by monthly payments to be made over a ten-month period at a 2.88% interest rate through March 31, 2022.

At September 30, 2021 and December 31, 2020, balances payable to AFCO of \$1,717 and \$872 were reflected in other current liabilities on the Company's consolidated balance sheets, respectively.

Note 10 — Share-Based Compensation

The Company recognized total share-based compensation expense in selling, general and administrative expenses in the consolidated statement of operations of \$443 and \$415 for the three months ended September 30, 2021 and 2020, respectively, and \$1,814 and \$1,616 for the nine months ended September 30, 2021 and 2020, respectively. The Company's related share-based compensation is comprised of the following:

Restricted Stock Units

During the nine months ended September 30, 2021 and 2020, the Company granted certain employees and executive officers equity awards in the form of restricted stock units ("RSU") that are subject to a combination of time and performance-based conditions under the 2017 Equity Compensation Plan (the "2017 Plan"), totaling 414 and 723 RSUs, respectively. No RSUs were granted during the three months ended September 30, 2021 and 2020. Each RSU entitles the grantee to one unit of the Company's common stock. The time-based RSUs vest annually over a three-year period on the anniversary date of each grant. Unvested time-based RSUs will be forfeited if the grantee separates from the Company prior to its vesting date. During the nine months ended September 30, 2021 and 2020, the related compensation expense was recorded based on a weighted average price per share of \$2.36 and \$3.28, respectively.

The number of common shares to be issued under the performance-based RSUs will be determined based on three levels of performance metrics based on the Company's earnings and will be assessed on an annual basis for the years ended December 31, 2021, 2022 and 2023 for the RSUs granted during the nine months ended September 30, 2021 and for the years ended December 31, 2020, 2021 and 2022 for the RSUs granted during the nine months ended September 30, 2020. If the Company meets the performance metrics for any one of the measurement periods, such units will vest on the next anniversary date of the grant date. All vested RSUs will be settled on the third anniversary of the grant date. Unvested RSUs are subject to forfeiture if the grantee separates from the Company prior to its vesting date. During the nine months ended September 30, 2021 and 2020, the Company determined it was not probable that the target performance metric would be met for each of the RSU grants and, therefore, did not record any share-based compensation expense related to such RSUs.

Deferred Stock Units

Deferred Stock Units ("DSU") issued under the 2017 Plan entitle participants to receive one share of the Company's common stock for each DSU and they will vest immediately upon separation from the Company. The compensation expense related to these units was determined based on the stock price of the Company's common stock on the grant date of the DSUs. Unvested DSUs are subject to forfeiture if the grantee separates from the Company prior to its vesting date.

During the three months ended September 30, 2021 and 2020, 5 and 39 DSUs were granted at a weighted average price of \$2.57 and \$1.58, respectively. During the nine months ended September 30, 2021 and 2020, 780 and 334 DSUs were granted at a weighted average price of \$2.42 and \$1.70, respectively. DSUs granted partially include units awarded to the Company's board of directors (the "Board") as part of their annual service retainer. DSUs were also granted to executive officers that are subject to a combination of time and performance based conditions that vest over a three-year period.

Stock Options

At September 30, 2021 and 2020, the Company had approximately 1,353 and 1,589 stock options outstanding, respectively, with a weighted average exercise price of \$3.87 and \$4.02, respectively. No stock options were granted during the nine months ended September 30, 2021 and 2020. During the nine months ended September 30, 2021 and 2020, options lapsed for approximately 211 and 281 shares, respectively, with a weighted average exercise price of \$4.95 and \$3.71, respectively.

Note 11 — Income Taxes

The Company calculates the interim tax expense based on an annual effective tax rate ("AETR"). The AETR represents the Company's estimated effective tax rate for the year based on full year projection of tax expense, divided by the projection of full year pretax book income/(loss) among the various foreign tax jurisdictions, adjusted for discrete transactions occurring during the period. The effective tax rates were 57.5% and 32.3% for the three months ended September 30, 2021 and 2020, respectively, and 155.4% and (83.2)% for the nine months ended September 30, 2021 and 2020, respectively. The interim tax calculation prescribed under ASC 740-270 can yield unconventional results as seen in the effective tax rate for the nine months ended September 30, 2021, which is impacted by discrete tax items such as uncertain tax positions and certain withholding taxes in relation to the mix of pretax earnings in certain jurisdictions in which no loss benefit is recognized.

The change in the Company's effective tax rate for the nine months ended September 30, 2021 from the nine months ended September 30, 2020 was primarily due to the mix of pretax earnings in jurisdictions with different jurisdictional tax rates, as well as certain withholding taxes and uncertain tax positions recorded in 2021.

The reserve for uncertain tax positions amounted to \$7,740 and \$6,328 at September 30, 2021 and December 31, 2020, respectively.

The Company's policy is to record income tax related interest and penalties in income tax expense. The Company recorded expense for any tax-related interest and penalties of \$39 and \$70 for the three months ended September 30, 2021 and 2020, respectively, and \$500 and \$68 for the nine months ended September 30, 2021 and 2020, respectively.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all, or some portion, of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Management evaluates the need for valuation allowances on the deferred tax assets according to the provisions of ASC 740, Income Taxes. In making this determination, management assesses all available evidence, both positive and negative, at the balance sheet date. This includes, but is not limited to, recent earnings, internally-prepared income projections, and historical financial performance.

On March 11, 2021 the American Rescue Plan Act was signed into law. The Company is currently evaluating the impact this legislation may have on its consolidated financial results, however the Company does not feel there will be a significant impact.

Note 12 —Segment and Related Information

The Company operates as one reporting segment which reflects how the Company is managed, which provides construction and project management services to construction owners worldwide. Such services include program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, project labor agreement consulting, commissioning, estimating and cost management, labor compliance services (collectively, "integrated project management") and facilities management services.

The following tables present certain information for operations:

Total Revenue by Geographic Region:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
Americas	\$ 51,362	53.1 %	\$ 48,195	54.4 %	\$ 147,701	51.7 %	\$ 145,830	52.8 %
Middle East/Asia/Pacific	21,621	22.4 %	22,729	25.6 %	63,320	22.2 %	72,327	26.2 %
Europe	13,897	14.4 %	11,465	12.9 %	44,942	15.8 %	37,434	13.5 %
Africa	9,724	10.1 %	6,263	7.1 %	29,274	10.3 %	20,818	7.5 %
Total	\$ 96,604	100.0 %	\$ 88,652	100.0 %	\$ 285,237	100.0 %	\$ 276,409	100.0 %

Consulting Fee Revenue by Geographic Region:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
Americas	\$ 34,510	44.8 %	\$ 33,697	47.2 %	\$ 100,996	44.5 %	\$ 104,261	46.5 %
Middle East/Asia/Pacific	21,345	27.7 %	21,709	30.3 %	62,100	27.3 %	69,241	30.8 %
Europe	12,328	16.0 %	10,549	14.7 %	36,968	16.3 %	32,197	14.3 %
Africa	8,878	11.5 %	5,588	7.8 %	27,094	11.9 %	18,754	8.4 %
Total	\$ 77,061	100.0 %	\$ 71,543	100.0 %	\$ 227,158	100.0 %	\$ 224,453	100.0 %

For the three months ended September 30, 2021, the United States was the only country to account for 10% or more of total revenue. For the nine months ended September 30, 2021, the United States and the United Arab Emirates were the only countries to account for 10% or more of total revenue. For the three and nine months ended September 30, 2020, the United States and the United Arab Emirates were the only countries to account for 10% or more of total revenue.

Operating Profit (Loss) by Geographic Region:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
Americas ⁽¹⁾	\$ 8,139	\$ 8,884	\$ 20,879	\$ 25,210				
Middle East/Asia/Pacific ⁽¹⁾	2,872	1,457	6,054	3,939				
Europe ⁽¹⁾	2,623	1,520	6,517	4,355				
Africa	1,032	485	5,117	1,763				
Corporate ⁽²⁾	(10,339)	(7,603)	(31,496)	(31,080)				
Total	\$ 4,327	\$ 4,743	\$ 7,071	\$ 4,187				

(1) includes Hill's share of loss (profit) of equity method affiliates on the Consolidated Statements of Operations.

(2) includes foreign exchange losses (benefit) of \$511 and \$(694) for the three months ended September 30, 2021 and 2020, respectively and \$2,751 and \$3,622 for the nine months ended September 30, 2021 and 2020, respectively.

Depreciation and Amortization Expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Project Management	\$ 6	\$ 341	\$ 769	\$ 1,009
Corporate ⁽¹⁾	561	364	1,087	2,371
Total	\$ 567	\$ 705	\$ 1,856	\$ 3,380

(1) includes \$1,582 additional depreciation charge for the write-off of leasehold improvements related to the Company subletting office space in Philadelphia to a third party for the nine months ended September 30, 2020.

Total Revenue by Client Type:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
U.S. federal government	\$ 3,506	3.6 %	\$ 4,552	5.1 %	\$ 11,636	4.1 %	\$ 13,084	4.7 %
U.S. state, regional and local governments	30,648	31.7 %	29,652	33.4 %	90,934	31.9 %	90,552	32.8 %
Foreign governments	23,401	24.2 %	23,149	26.1 %	75,137	26.3 %	74,118	26.8 %
Private sector	39,049	40.5 %	31,299	35.4 %	107,530	37.7 %	98,655	35.7 %
Total	\$ 96,604	100.0 %	\$ 88,652	100.0 %	\$ 285,237	100.0 %	\$ 276,409	100.0 %

Property, Plant and Equipment, Net, by Geographic Location:

	September 30, 2021	December 31, 2020
Americas	\$ 7,250	\$ 7,741
Middle East/Asia/Pacific	704	917
Europe	492	544
Africa	370	241
Total	\$ 8,816	\$ 9,443

Note 13 — Commitments and Contingencies
Legal Proceedings

From time to time, the Company is a defendant or plaintiff in various legal proceedings which arise in the normal course of business. As such the Company is required to assess the likelihood of any adverse outcomes to these proceedings as well as potential ranges of probable losses. A determination of the amount of the provision required for commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each proceeding. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company's earnings in the period the changes are made. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these proceedings will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Loss on Performance Bond

On February 8, 2018, the Company received notice from the First Abu Dhabi Bank ("FAB", formerly known as the National Bank of Abu Dhabi) that Public Authority of Housing Welfare of Kuwait submitted a claim for payment on a Performance Guarantee issued by the Company for approximately \$7,938 for a project located in Kuwait. FAB subsequently issued, on behalf of the Company, a payment on February 15, 2018. The Company is taking legal action to recover the full Performance Guarantee amount. On September 20, 2018 the Kuwait First Instance Court dismissed the Company's case. As a result, the Company fully reserved the performance guarantee payment above in the first quarter of 2018. The Company filed an appeal before the Kuwait Court of Appeals seeking referral of the matter to a panel of experts for determination. On April 21, 2019, the Court of Appeals ruled to refer the matter to the Kuwait Experts Department. Hearings with the Kuwait Experts Department were held during July and September 2019. A final report was issued by the panel of experts in October 2019 for the held hearings on January 7, 2020 and February 4, 2020 and reserved the case for judgment to be issued. In June 2020, the Kuwait Court of Appeal issued judgement confirming the Kuwait First Instance Court's decision. The Company filed a pleading before the Kuwait Cassation Court in August 2020. Hill's challenges are still pending before the Kuwait Cassation Court and a hearing has not yet been scheduled.

Other

The Company has identified a potential tax liability related to certain foreign subsidiaries' failure to comply with laws and regulations of the jurisdictions, outside of their home country, in which their employees provided services. The Company has estimated the potential liability to be approximately \$334, which is included in other liabilities in the consolidated balance sheet at September 30, 2021.

Note 14 — Leases

The Company leases office space, equipment and vehicles throughout the world. Many of the Company's operating leases include one or more options to renew at the Company's sole discretion. The lease renewal option terms generally range from 1 month to 5 years for office leases. The determination of whether to include any renewal or early termination options is made by the Company at lease inception when establishing the term of the lease. Based on the later of the lease's commencement date or Company's adoption of ASC-842 on January 1, 2019, the Company recognizes right-of use lease assets and lease liabilities on its consolidated balance sheet for all leases in excess of one year in duration. The lease liability represents the present value of the remaining lease payments, which only includes payments that are fixed and determinable at the time of commencement, over the lease term. The lease term may be adjusted for renewal or early termination options provided in the leases only if it is reasonably certain that the Company will exercise such options. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Rent expense for operating leases is recognized on a straight-line basis over the lease term from the lease commencement date through the scheduled expiration date for rent payments that are determined to be fixed, or are determinable at the lease commencement date. Some of the Company's lease arrangements require periodic increases in the Company's base rent that may be subject to certain economic indexes, among other items. In addition, these leases may require the Company to pay property taxes, utilities and other costs related to several of its leased office facilities. Typically, these amounts for such payments cannot be determined at the lease commencement date, and are identified as variable lease payment, which are recognized as incurred.

Total rent expense of \$1,950 and \$1,875 for the three months ended September 30, 2021 and 2020, respectively, and \$6,193 and \$6,038 for the nine months ended September 30, 2021 and 2020 is included in selling, general and administrative and direct expenses in the consolidated statements of operations. Total rent expense for the nine months ended September 30, 2021 and 2020 included \$1,631 and \$1,488, respectively, that was associated with leases with an initial term of 12 months or less, in addition to variable costs the Company is responsible for paying on all leases.

The Company subleases certain real estate to third parties. The sublease income recognized for the three months ended September 30, 2021 and 2020, was \$396 and \$390, respectively. The sublease income recognized for the nine months ended September 30, 2021 and 2020 was \$1,190 and \$946, respectively.

The following is a schedule of maturities of lease liabilities by year as of September 30, 2021:

	Total Operating Lease Payments	Total Finance Lease Payments
2021 (excluding the nine months ended September 30, 2021)	\$ 1,923	\$ 56
2022	5,988	216
2023	5,212	216
2024	4,271	181
2025	3,471	65
Thereafter	7,194	—
Total minimum lease payments ⁽¹⁾	28,059	734
Less amount representing imputed interest	4,729	30
Present value of lease obligations	\$ 23,330	\$ 704
Weighted average remaining lease term (years)	5.62	3.46
Weighted average discount rate	6.71 %	2.40 %

(1) Partially includes rent expense amounts payable in various foreign currencies and are based on the foreign currency exchange spot rates as of September 30, 2021, where applicable.

Note 15 - Deconsolidation of Controlling Interest in Subsidiary

On June 12, 2020, Hill International Brasil S.A ("Hill Brazil") filed for bankruptcy and liquidation with the Bankruptcy Court of Sao Paulo, Brazil. Hill Brazil was a consolidated operating subsidiary of Hill International Brasil Participacoes LTDA ("Brazil Consolidated"). A trustee was appointed by the court on June 15, 2020 to oversee the settlement of liabilities and close the entity. The Company lost control of Hill Brazil on the date of the bankruptcy filing and, as a result, deconsolidated Hill Brazil at that time.

At June 12, 2020, Hill Brazil's assets totaled \$1,901, and consisted of Cash of \$9, Accounts receivable of \$1,380, Property, Plant & Equipment of \$295 and other assets of \$217. At June 12, 2020, Hill Brazil's liabilities totaled \$3,538 and consisted of Accounts payable and accrued expenses of \$1,800, debt of \$365, deferred revenue of \$132 and other liabilities of \$1,242. Therefore, Hill Brazil's liabilities exceeded assets by \$1,638. The write-off of the investment in Hill Brazil by Brazil Consolidated resulted in a \$1,201 loss. The write-off of the balance sheet and write-off of the investment in Hill Brazil resulted in a \$437 gain on the deconsolidation before consideration of foreign currency adjustments and intercompany items.

In conjunction with the liquidation of Hill Brazil, the Company's intercompany receivables from Hill Brazil totaling \$116 were fully reserved and an intercompany payable of \$1,180 to Hill Brazil from Brazil Consolidated was written off against the income/loss of the liquidation. Additionally, \$5,565 of accumulated other comprehensive losses related to foreign currency adjustments was taken into expense. This resulted in a net loss of \$4,064 related to the deconsolidation which was recorded on the consolidated statements of operations under Other loss (income), net.

On December 29, 2020, Brazil Consolidated filed for bankruptcy and liquidation with the Bankruptcy Court of Sao Paulo Brazil. Brazil Consolidated was a consolidated subsidiary of Hill International, N.V. The Company lost control of Brazil Consolidated on the date of the bankruptcy filing and, as a result, deconsolidated Brazil Consolidated at that time which resulted in an additional net loss of \$1,437 being recorded on the consolidated statements of operations under other loss (income), net for the year ended December 31, 2020. The balance sheet of Brazil Consolidated primarily consisted of intercompany payables. The corresponding intercompany receivables were written off on the respective entity's balance sheets in conjunction with the liquidation and deconsolidation of Brazil Consolidated resulting in no net consolidated income/loss impact. The net loss is primarily comprised of the deconsolidation of \$1,350 of net assets, and \$313 of accumulated other comprehensive losses related to foreign currency adjustments taken into expense which were offset by \$226 of eliminated capital.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands).

Introduction

The following discussion should be read in conjunction with the information contained in Hill International, Inc.'s (collectively referred to as "Hill", "we", "us", "our" and "the Company") unaudited consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives and any statements concerning assumptions related to the foregoing contained in Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements. See our Annual Report on Form 10-K, for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission (the "SEC") on March 16, 2021, including the factors disclosed therein, as well as "Disclosure Regarding Forward-looking Statements" for certain factors that may cause actual results to vary materially from these forward-looking statements. We assume no obligation to update any of these forward-looking statements other than as required by law.

Overview

We earn revenue by deploying professionals to provide services to our clients, including project management, construction management, facilities management and related consulting. These services are primarily delivered on a "cost plus" or "time and materials" ("T&M") basis in which we bill negotiated hourly or monthly rates or a negotiated multiple of the direct cost of these professionals, plus actual out-of-pocket expenses. Our direct expenses are the actual cost of these professionals, including payroll and benefits, except for paid time-off, which is recorded in selling, general and administrative expenses ("SG&A") on our consolidated statements of operations. We also provide services under fixed price contracts and T&M contracts with a cap.

Our revenue consists of two components: consulting fee revenue ("CFR") and reimbursable expenses. The professionals we deploy are occasionally subcontractors. We generally bill the actual cost of these subcontractors and recognize this cost as both revenue (reimbursable expenses) and direct expense. CFR refers to our revenue excluding amounts paid or due to subcontractors. We believe CFR is an important measure because it represents the revenue on which we earn gross profit, whereas total revenue includes subcontractors on which we generally pass through the cost and earn minimal or no gross profit.

We compete for business based on a variety of factors such as technical capability, global resources, price, reputation and past experience, including client requirements for substantial experience in similar projects. We have developed significant long-standing relationships, which bring us repeat business and may be difficult for others to replicate. We believe we have an excellent reputation for attracting and retaining professionals. In addition, we believe there are high barriers to entry for new competitors especially in the project management market.

SG&A consists primarily of personnel costs that are not billable and corporate or regional costs such as sales, business development, proposals, operations, finance, human resources, legal, marketing, management and administration.

The Company operates as a single reporting segment, known as the Project Management Group which provides fee-based construction management services to our clients, leveraging our construction expertise to identify potential trouble, difficulties and sources of delay on a construction project before they develop into costly problems. Our experienced professionals are capable of managing all phases of the construction process from concept through completion, including cost and budget controls, scheduling, estimating, expediting, inspection, contract administration and management of contractors, subcontractors and suppliers.

Impact of COVID-19 on our Business

In March 2020, the World Health Organization declared COVID-19 a global pandemic as a result of the further spread of the virus into all regions of the world, including those regions where our primary operations occur. Variants of the virus continue to emerge in various regions and countries worldwide.

We instituted a work-from-home policy for all offices and employees globally in late March 2020, except for field-based employees who normally work on-site at our client's facilities. These field-based employees are complying with our respective clients' policies. The majority of our field employees were already located in the regions where they deliver their services, so the travel restrictions that have been enacted by various government authorities have not materially impaired our ability to continue to perform services for our clients. Employees are returning to their assigned offices, on a modified basis, as their city, state and country reopens, consistent with the applicable requirements of local law.

Most of the projects to which we provide services have been classified as essential services by the relevant governmental authority and as such have continued despite restrictions on the operation of "non-essential" businesses by certain governmental authorities. The majority of our billable employees have continued to provide billable services to our clients, either on-site or remotely at the same or at a slightly reduced volume as in effect prior to the pandemic.

Nearly all our employees had company laptop computers and the ability to work remotely prior to the institution of our work-at-home policy. The work-at-home policy did not have a significant impact on our employees' ability to perform their job requirements. Our internal control structure does not generally require physical access to our office locations, and has not to date and is not expected in the future, to be adversely impacted by the pandemic and the corresponding response by certain governmental authorities. Processes that require physical access to our offices, such as receiving mail (including collections) and processing and mailing manual checks, are being performed by designated individuals at a reduced frequency while certain of our offices continue to operate on a limited basis.

The main impacts on our business observed to date other than those discussed above are delays in the procurement processes of a number of our current and potential clients. We expect these delays in the procurement process to adversely impact the timing of our new bookings, resulting in lower bookings, CFR and backlog for the duration of the economic slowdown caused by the pandemic.

Management implemented various actions and policies that resulted in approximately \$11,000 in cost reductions to partially offset the reduction in CFR for the year ended December 31, 2020. We expect costs in 2021 to increase modestly in line with an anticipated rebound in activity, as the effects of the COVID-19 pandemic subside and the Company's activity increases. We will continue to manage costs and their association with CFR relative to the continuing effects of the pandemic on our activities.

The full extent and duration of the impact of the pandemic on our operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the institution of new lockdowns by certain government authorities, the duration and spread of the pandemic, its impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus, its spread to other regions and the actions to contain the virus or treat its impact, among others.

Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the continuing risks associated with the COVID-19 pandemic for at least the next 12 months from the date of this report.

Results of Operations
**Consolidated Results
(In thousands)**

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Income Statement Data:								
Consulting fee revenue	\$ 77,061	\$ 71,543	\$ 5,518	7.7 %	\$ 227,158	\$ 224,453	\$ 2,705	1.2 %
Reimbursable expenses	19,543	17,109	2,434	14.2 %	58,079	51,956	6,123	11.8 %
Total revenue	\$ 96,604	\$ 88,652	\$ 7,952	9.0 %	\$ 285,237	\$ 276,409	\$ 8,828	3.2 %
Direct expenses	64,196	59,998	4,198	7.0 %	194,314	190,078	4,236	2.2 %
Gross profit	\$ 32,408	\$ 28,654	\$ 3,754	13.1 %	\$ 90,923	\$ 86,331	\$ 4,592	5.3 %
Selling, general and administrative expenses	28,121	25,588	2,533	9.9 %	82,906	80,543	2,363	2.9 %
Foreign currency exchange loss (benefit)	511	(694)	1,205	(173.6)%	2,751	3,622	(871)	(24.0)%
Plus: Share of profit of equity method affiliates	551	983	(432)	(43.9)%	1,805	2,021	(216)	(10.7)%
Operating profit	\$ 4,327	\$ 4,743	\$ (416)	(8.8)%	\$ 7,071	\$ 4,187	\$ 2,884	68.9 %
Interest and related financing fees, net	1,226	1,275	(49)	(3.8)%	4,077	3,870	207	5.3 %
Less: Other loss, net	—	152	(152)	(100.0)%	—	3,654	(3,654)	(100.0)%
Earnings (loss) before income taxes	\$ 3,101	\$ 3,316	\$ (215)	(6.5)%	\$ 2,994	\$ (3,337)	\$ 6,331	(189.7)%
Income tax expense	1,784	1,071	713	66.6 %	4,653	2,776	1,877	67.6 %
Net earnings (loss)	\$ 1,317	\$ 2,245	\$ (928)	(41.3)%	\$ (1,659)	\$ (6,113)	\$ 4,454	(72.9)%
Less: net earnings - noncontrolling interests	58	131	(73)	(55.7)%	265	308	(43)	(14.0)%
Net earnings (loss) attributable to Hill International, Inc.	\$ 1,259	\$ 2,114	\$ (855)	(40.4)%	\$ (1,924)	\$ (6,421)	\$ 4,497	(70.0)%

**Three Months Ended September 30, 2021 Compared to the
Three Months Ended September 30, 2020**

Total Revenue by Geographic Region:

	Three Months Ended September 30,				Change	
	2021		2020		\$	%
Americas	\$ 51,362	53.1 %	\$ 48,195	54.4 %	\$ 3,167	6.6 %
Middle East/Asia/Pacific	21,621	22.4 %	22,729	25.6 %	(1,108)	(4.9)%
Europe	13,897	14.4 %	11,465	12.9 %	2,432	21.2 %
Africa	9,724	10.1 %	6,263	7.1 %	3,461	55.3 %
Total	\$ 96,604	100.0 %	\$ 88,652	100.0 %	\$ 7,952	9.0 %

Consulting Fee Revenue by Geographic Region:

	Three Months Ended September 30,				Change	
	2021		2020		\$	%
Americas	\$ 34,510	44.8 %	\$ 33,697	47.2 %	\$ 813	2.4 %
Middle East/Asia/Pacific	21,345	27.7 %	21,709	30.3 %	(364)	(1.7)%
Europe	12,328	16.0 %	10,549	14.7 %	1,779	16.9 %
Africa	8,878	11.5 %	5,588	7.8 %	3,290	58.9 %
Total	\$ 77,061	100.0 %	\$ 71,543	100.0 %	\$ 5,518	7.7 %

CFR was \$77,061 and \$71,543 for the three months ended September 30, 2021 and 2020, respectively, which comprised 79.8% and 80.7% of total revenues, respectively. The increase in CFR and total revenue in 2021 compared to the prior year period is primarily driven by activity continuing to return to pre-COVID levels, including returns to full staffing on certain existing projects and mobilizations on certain newly awarded projects.

Gross Profit by Geographic Region:

	Three Months Ended September 30,						Change	
	2021			2020			\$	%
		%	% of CFR		%	% of CFR		
Americas	\$ 15,358	47.3 %	44.5 %	\$ 14,204	49.6 %	42.2 %	\$ 1,154	8.1 %
Middle East/Asia/Pacific	8,086	25.0 %	37.9 %	7,559	26.4 %	34.8 %	527	7.0 %
Europe	5,299	16.4 %	43.0 %	4,196	14.6 %	39.8 %	1,103	26.3 %
Africa	3,665	11.3 %	41.3 %	2,695	9.4 %	48.2 %	970	36.0 %
Total	\$ 32,408	100.0 %	42.1 %	\$ 28,654	100.0 %	40.1 %	\$ 3,754	13.1 %

Gross profit (margin) as a percentage of CFR increased 2.0% for the three months ended September 30, 2021 compared to the same period in the 2020. In all regions except Africa, gross profit as a percentage of CFR increased as a percentage of CFR due to generally higher project margins. These increases were partially off-set by a decrease in gross profit as a percentage of CFR in Africa as a result of the start of a large project with a lower margin.

SG&A Expenses

SG&A expenses for the three months ended September 30, 2021 increased approximately \$2,533 when compared to the same period in 2020. The increase was primarily due to the reinstatement of the Company's 401(k) match, higher labor costs associated with the expected achievement of certain bonus metrics in the current year and increased travel costs due to the lifting of COVID-19 stay-at-home orders that were in place during the same period in 2020. SG&A expenses represented approximately 36.5% and 35.8% of CFR for the three months ended September 30, 2021 and 2020, respectively.

Foreign Currency Exchange Loss

There was a foreign currency exchange loss (benefit) of \$511 and \$(694) for the three months ended September 30, 2021 and 2020, respectively. The currency exchange loss for three months ended September 30, 2021 was primarily the result of a 2% weakening of the Euro against the US Dollar and currencies pegged to the US Dollar. The foreign currency exchange benefit in 2020 was primarily the result of a 6% strengthening of the Euro against the US Dollar and currencies pegged to the US Dollar, partially offset by a 3% change in the Libyan Dinar.

Interest and Related Financing Fees, net

Interest and related financing fees for the three months ended September 30, 2021 were \$1,226, compared to interest and related financing fees for the three months ended September 30, 2020 of \$1,275, net of \$17 of interest income.

Other Loss, net

During the three months ended September 30, 2020, the Company recognized other non-operating loss of \$152. There was no such loss for the three months ended September 30, 2021.

Income Taxes

For the three months ended September 30, 2021 and 2020, we recognized income tax expense of \$1,784 and \$1,071, respectively.

The effective income tax rate for the three months ended September 30, 2021 and 2020 were 57.5% and 32.3%, respectively. The change in our effective tax rate for the three months ended September 30, 2021 was primarily a result of the mix of income among various jurisdictions with different statutory tax rates, as well as certain withholding taxes and uncertain tax positions recorded in 2021.

**Nine Months Ended September 30, 2021 Compared to the
Nine Months Ended September 30, 2020**

Total Revenue by Geographic Region:

	Nine Months Ended September 30,				Change	
	2021		2020		\$	%
Americas	\$ 147,701	51.7 %	\$ 145,830	52.8 %	\$ 1,871	1.3 %
Middle East/Asia/Pacific	63,320	22.2 %	72,327	26.2 %	(9,007)	(12.5)%
Europe	44,942	15.8 %	37,434	13.5 %	7,508	20.1 %
Africa	29,274	10.3 %	20,818	7.5 %	8,456	40.6 %
Total	\$ 285,237	100.0 %	\$ 276,409	100.0 %	\$ 8,828	3.2 %

Consulting Fee Revenue:

	Nine Months Ended September 30,				Change	
	2021		2020		\$	%
Americas	\$ 100,996	44.5 %	\$ 104,261	46.5 %	\$ (3,265)	(3.1)%
Middle East/Asia/Pacific	62,100	27.3 %	69,241	30.8 %	(7,141)	(10.3)%
Europe	36,968	16.3 %	32,197	14.3 %	4,771	14.8 %
Africa	27,094	11.9 %	18,754	8.4 %	8,340	44.5 %
Total	\$ 227,158	100.0 %	\$ 224,453	100.0 %	\$ 2,705	1.2 %

CFR was \$227,158 and \$224,453 for the nine months ended September 30, 2021 and 2020, respectively, which comprised 79.6% and 81.2% of total revenues, respectively. The increase in CFR in 2021 compared to the prior year period is primarily driven by activity continuing to return to pre-COVID levels, including returns to full staffing on certain existing projects and mobilizations on certain newly awarded projects.

The increase in total revenue for the nine months ended September 30, 2021 compared to the same period in 2020 was primarily due to revenue during 2020 being reduced as a result of delayed project starts and project suspensions due to the COVID-19 pandemic. The current year increase includes a higher mix of sub-contractor work.

Gross Profit by Geographic Region:

	Nine Months Ended September 30,						Change	
	2021			2020			\$	%
		% of CFR		% of CFR				
Americas	\$ 43,622	47.9 %	43.2 %	\$ 43,946	50.9 %	42.1 %	\$ (324)	(0.7)%
Middle East/Asia/Pacific	21,781	24.0 %	35.1 %	21,611	25.0 %	31.2 %	170	0.8 %
Europe	14,743	16.2 %	39.9 %	12,425	14.4 %	38.6 %	2,318	18.7 %
Africa	10,777	11.9 %	39.8 %	8,349	9.7 %	44.5 %	2,428	29.1 %
Total	\$ 90,923	100.0 %	40.0 %	\$ 86,331	100.0 %	38.5 %	\$ 4,592	5.3 %

Gross profit (margin) as a percentage of CFR increased 1.5% for the nine months ended September 30, 2021 compared to the same period in the 2020. In the Americas, gross profit as a percentage of CFR increased as a result of generally higher project margins. In the Middle East/Asia/Pacific region, gross profit as a percentage of CFR increased primarily due to increased billing rates on projects in Asia. In Europe, gross profit as a percentage of CFR increased due to higher margin mix of projects.

The increases above were partially off-set by a decrease in gross profit as a percentage of CFR in Africa as a result of the start of a large project with a lower margin.

SG&A Expenses

SG&A expenses for the nine months ended September 30, 2021 increased by approximately \$2,363 when compared to the same period in the prior year. The increase was primarily due to a \$5,900 increase in labor costs due to the lifting of COVID-19 stay at home orders and the ramping up of projects, the expected achievement of certain bonuses in the current year and the reinstatement of the company 401(k) match. In addition, legal fees increased by \$700 due to a settlement of previously incurred legal expenses in the prior year which did not reoccur in 2021. Partially offsetting these increases was a \$1,500 decrease in bad debt expense as a result of the Company receiving payments against previously reserved receivables. In addition, there was a \$1,600 additional depreciation charge in the first quarter of 2020 for the write-off of leasehold improvements related to the Company subletting office space in Philadelphia to a third party, which did not reoccur in 2021. SG&A expenses represented approximately 36.5% and 35.9% of CFR for the nine months ended September 30, 2021 and 2020, respectively.

Foreign Currency Exchange Loss

There were foreign currency exchange losses of \$2,751 and \$3,622 for the nine months ended September 30, 2021 and 2020, respectively. For the nine months ended September 30, 2021, the foreign currency exchange losses were primarily caused by the strengthening of the Euro against the US Dollar and currencies pegged to the US Dollar by 5%, partially offset by a 70% weakening of the Libyan Dinar against the Euro and an 4% weakening of the Egyptian pound against the Euro. For the nine months ended September 30, 2020, the foreign currency exchange losses were primarily caused by a 21.6% weakening of the Brazilian Real against the Euro prior to declaring bankruptcy of our Brazilian subsidiary.

Interest and Related Financing Fees, net

Interest and related financing fees increased \$207 to \$4,077 for the nine months ended September 30, 2021 as compared with \$3,870 for nine months ended September 30, 2020, which includes \$94 of interest income.

Other Loss, net

During the nine months ended September 30, 2020 a loss of \$4,064 was recognized due to the bankruptcy filing and deconsolidation of our operating subsidiary in Brazil (see Note 15 to the consolidated financial statements filed herein), net of other non-operating income of \$65. An additional \$345 of income was recognized during the first quarter of 2020 related to the cancellation of a PDIC Economic Stimulus Program Loan Agreement that the Company made on October 24, 2014 as a result of the Company satisfying all obligations in regard to the Loan Agreement.

There was no such loss for the nine months ended September 30, 2021.

Income Taxes

For the nine months ended September 30, 2021 and 2020, we recognized income tax expense of \$4,653 and \$2,776, respectively.

The effective income tax rate for the nine-month periods ended September 30, 2021 and 2020 was 155.4% and (83.2)%, respectively. The change in the Company's effective tax rate for the nine months ended September 30, 2021 was primarily a result of the mix of income among various foreign jurisdictions with different statutory tax rates, as well as certain withholding taxes and uncertain tax positions recorded in 2021.

Liquidity and Capital Resources

Our primary cash obligations are our payroll and our project subcontractors. Our primary source of cash is receipts from clients. We generally pay our employees semi-monthly in arrears and invoice our clients monthly in arrears. Our clients generally remit payment approximately three months, on average, after invoice date. This creates a lag between the time we pay our employees and the time we receive payment from our clients. We bill our clients for any subcontractors used and pay those subcontractors after receiving payment from our clients, so no such timing lag exists for the payments we make to subcontractors.

We utilize cash on hand and our revolving credit facilities to fund the working capital requirement caused by the lag discussed above and other operating needs. We believe our expected cash receipts from clients, together with current cash on hand and revolving credit facilities, are sufficient to support the reasonably anticipated cash needs of our operations over the next twelve months from November 8, 2021, the date of this report.

At September 30, 2021, our primary sources of liquidity consisted of \$26,293 of cash and cash equivalents, of which \$26,111 was on deposit in foreign locations, and \$12,336 of available borrowing capacity under our various credit facilities. The Company is in discussion with both existing lenders and potential new lenders to refinance our secured credit facilities with Société Générale prior to their maturities in May 2022 for the Domestic and International Revolving Credit Facilities and June 2023 for the 2017 Term Loan Facility.

We also have relationships with other foreign banks for the issuance of letters of credit, letters of guarantee and performance bonds in a variety of foreign currencies. At September 30, 2021, we had approximately \$63,573 of availability under these arrangements. Our sources of liquidity under arrangements with foreign banks are available for repatriation as deemed necessary by us, with some restrictions and tax implications.

Please see "Impact of COVID-19 on our Business" above for our discussion about the impact of COVID-19 on liquidity.

Sources of Additional Capital

A significant increase in our current backlog or impacts on our liquidity from the COVID-19 pandemic may require us to obtain additional financing. If additional financing is required in the future due to an increase in backlog, impacts from the COVID-19 pandemic or changes in strategic or operating plans, we cannot provide any assurance that any other sources of financing will be available, or if available, that the financing will be on terms acceptable to us.

Cash Flows

	Nine Months Ended September 30,		
	2021	Change	2020
Net cash (used in) provided by operating activities	\$ (6,993)	\$ (10,259)	\$ 3,266
Net cash used in investing activities	(1,878)	(777)	(1,101)
Net cash provided by financing activities	3,285	(11,779)	15,064
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,654)	(2,557)	(97)
Deconsolidated cash	—	(9)	9
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (8,240)</u>		<u>\$ 17,123</u>

Operating activities

During the nine months ended September 30, 2021, cash used in operating activities was primarily due to increases in accounts receivable and prepaid expenses, partially offset by an increase in accounts payable related to the timing of payments to vendors and subcontractors and an increase in other current liabilities. During the nine months ended September 30, 2020, cash provided by operating activities was primarily due to the deferral of payroll tax payments as part of the US government's COVID relief program, rent concessions from certain lessors primarily in the form of rent payment deferrals, and the timing of payments to vendors. The rent payment deferrals and half of the payroll tax deferrals are being paid during 2021. The remainder of the payroll tax deferral will be paid during 2022.

Cash held in restricted accounts is used primarily as collateral for the issuance of performance and advance payment bonds, letters of credit and escrow. Restricted cash decreased from \$7,184 at December 31, 2020 to \$6,880 at September 30, 2021.

We manage our operating cash flows by managing key working capital accounts in total. The primary elements of our working capital are accounts receivable, prepaid and other current assets, and accounts payable.

From year to year, the components of our working capital accounts may reflect significant changes. The changes are due primarily to the timing of cash receipts and payments within our working capital accounts combined with changes in our receivables and payables relative to the changes in our overall business.

Investing activities

During the nine months ended September 30, 2021 cash was used in investing activities for the purchase of a business and for fixed asset purchases. During the nine months ended September 30, 2020, cash was used in investing activities for the purchase of fixed assets.

Financing activities

During the nine months ended September 30, 2021 and 2020, cash provided by financing activities was used to fund the ongoing operating activities.

Effect of exchange rate changes on cash

For the nine months ended September 30, 2021, the effects of exchange rate changes on cash was primarily driven by the weakening of the Libyan Dinar (70.5%) and Euro (5.3%) against the U.S. Dollar.

For the nine months ended September 30, 2020, the effects of exchange rate changes on cash was primarily driven by the recognition of balances previously included in accumulated other comprehensive losses into expense due to the bankruptcy and liquidation of our operating subsidiary in Brazil (see Note 15 to the consolidated financial statements filed herein) and a 31.7% weakening of the Brazilian Real against the Euro and a 4% weakening of the Euro against the U.S. dollar in 2020.

Backlog

Our backlog represents CFR, which includes management's estimate of the amount of contracts and awards in-hand that we expect to recognize as CFR in future periods as a component of total revenue. Our backlog is evaluated by management, on a project-by-project basis, and is reported for each period shown based upon the binding nature of the underlying contract, commitment or letter of intent, and other factors, including the economic, financial and regulatory viability of the project and the likelihood of the contract being extended, renewed or canceled.

Backlog is not a measure defined in U.S. generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

Although backlog reflects business that we consider to be firm, cancellations or scope adjustments may occur. Further, substantially all of our contracts with our clients may be terminated at will, in which case the client would only be obligated to us for services provided through the termination date.

We adjust backlog to reflect project cancellations, deferrals and revisions in scope and cost (both upward and downward) known at the reporting date. Future contract modifications or cancellations, however, may increase or reduce backlog and future CFR.

The following tables show our backlog by geographic region:

	Total Backlog		12-Month Backlog	
September 30, 2021				
Americas	\$ 283,317	42.8 %	\$ 103,197	41.7 %
Middle East/Asia/Pacific	156,600	23.7 %	72,961	29.5 %
Europe	106,823	16.2 %	38,664	15.6 %
Africa	113,980	17.3 %	32,738	13.2 %
Total	\$ 660,720	100.0 %	\$ 247,560	100.0 %
December 31, 2020				
Americas	\$ 276,752	41.6 %	\$ 105,721	45.2 %
Middle East/Asia/Pacific	160,211	24.0 %	66,407	28.3 %
Europe	105,478	15.8 %	37,062	15.8 %
Africa	124,273	18.6 %	25,187	10.7 %
Total	\$ 666,714	100.0 %	\$ 234,377	100.0 %

At September 30, 2021, our backlog was \$660,720 compared to \$666,714 at December 31, 2020. We estimate that approximately \$247,560 or 37.5% of the backlog at September 30, 2021, will be recognized over the next twelve months.

The amount of our new bookings, before any cancellations or other reductions, was \$274,500 and equates to a book-to-burn ratio of 120.8% for the nine months ended September 30, 2021. Our book-to-burn ratio, a non-GAAP measure, is determined by taking our new CFR bookings and dividing it by CFR for the applicable period. This metric allows management to monitor the Company's business development efforts to ensure we grow our backlog and our business over time and management believes that this measure is useful to investors for the same reason.

The difference between the remaining performance obligations of \$92,155 and the backlog of \$660,720 at September 30, 2021 is due to the backlog including the full value of client contracts billed on a time and materials basis, which contracts, are not included as part of the remaining performance obligation. Such contracts are excluded from the remaining performance obligation because they are not fixed price contracts and the consideration expected under such contracts is variable as it is based upon hours and costs incurred, which results in the counter-party only being obligated to the Company for services provided through the completion or termination date.

Quarterly Fluctuations

Our operating results vary from period to period as a result of the timing of projects and assignments. We do not believe that our business is seasonal.

Inflation

Although we are subject to fluctuations in the local currencies of the countries in which we operate, we do not believe that inflation will have a significant effect on our results of operations or our financial position.

Critical Accounting Policies

The Company's interim financial statements were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), which require management to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting these judgments increases, such judgments become even more subjective. While management believes its assumptions are reasonable and appropriate, actual results may be materially different than estimated. The critical accounting estimates and assumptions have not materially changed from those identified in the Company's 2020 Annual Report on Form 10-K.

New Accounting Pronouncements

For information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 3 to the consolidated financial statements filed herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The management of the Company, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2021. Management concluded that, due to the on-going remediation associated with the material weakness identified in our 2020 Annual Report on Form 10-K ("2020 Form 10-K"), our disclosure controls and procedures were ineffective as of September 30, 2021 to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. However, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

Exchange Act Rules 13a-15(e) and 15d-15(e) define "disclosure controls and procedures" to mean controls and procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The definition further states that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

For a more comprehensive discussion of the material weaknesses in internal control over financial reporting previously identified by management as of December 31, 2020 and the remedial measures undertaken to address these material weaknesses, investors are encouraged to review Item 9A, Disclosure Controls and Procedures, of our 2020 Form 10-K.

Changes in Internal Control Over Financial Reporting

Our remediation efforts for material weaknesses previously reported were ongoing during the nine months ended September 30, 2021, as described in Item 9A of our 2020 Annual Report on Form 10-K. There were no other material changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2021 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. Legal Proceedings.

Information required by this item is incorporated by reference to Part I, item 1, Note 13 — Commitments and Contingencies, *Legal Proceedings*.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	The cover page of this Quarterly Report on Form 10-Q, formatted in Inline XBRL

SIGNATURES

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

Hill International, Inc.

By: /s/ Raouf S. Ghali
Raouf S. Ghali
Chief Executive Officer
(Principal Executive Officer)

Dated: November 8, 2021

By: /s/ Todd Weintraub
Todd Weintraub
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Dated: November 8, 2021

Section 302 Certification of Chief Executive Officer

I, Raouf S. Ghali, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hill 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: November 8, 2021

/s/ Raouf S. Ghali

Raouf S. Ghali
Chief Executive Officer

Section 302 Certification of Chief Financial Officer

I, Todd Weintraub, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hill 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: November 8, 2021

/s/ Todd Weintraub

Todd Weintraub

Senior Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

**CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hill International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 (the "Report"), I, Raouf S. Ghali, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2021

/s/ Raouf S. Ghali

Raouf S. Ghali

Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

**CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hill International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 (the "Report"), I, Todd Weintraub Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2021

/s/ Todd Weintraub

Todd Weintraub

Senior Vice President and Chief Financial Officer