

# Korn / Ferry

FY'18 Qtr. 4

Earnings Conference Call

June 13, 2018



# Safe Harbor Statement

## Forward-Looking Statements

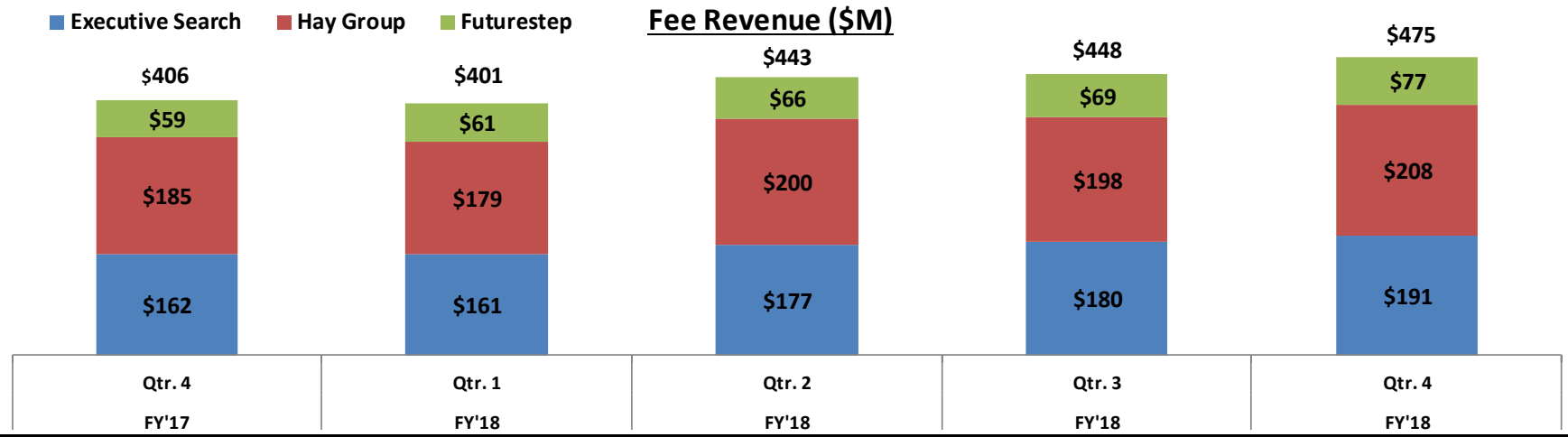
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## Non-GAAP Financial Metrics

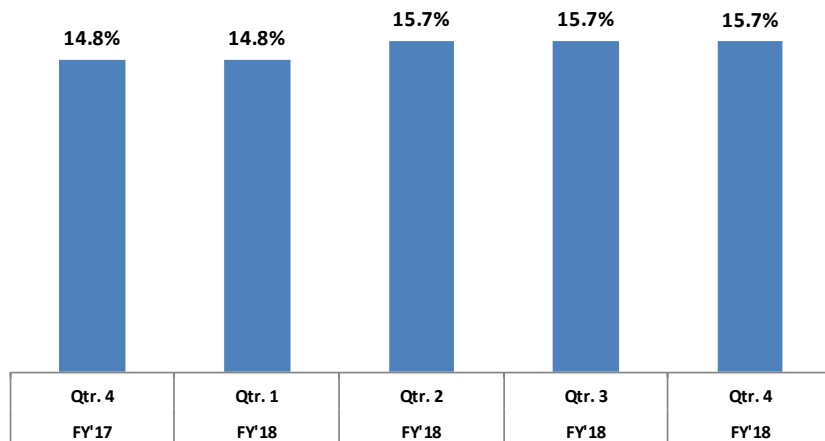
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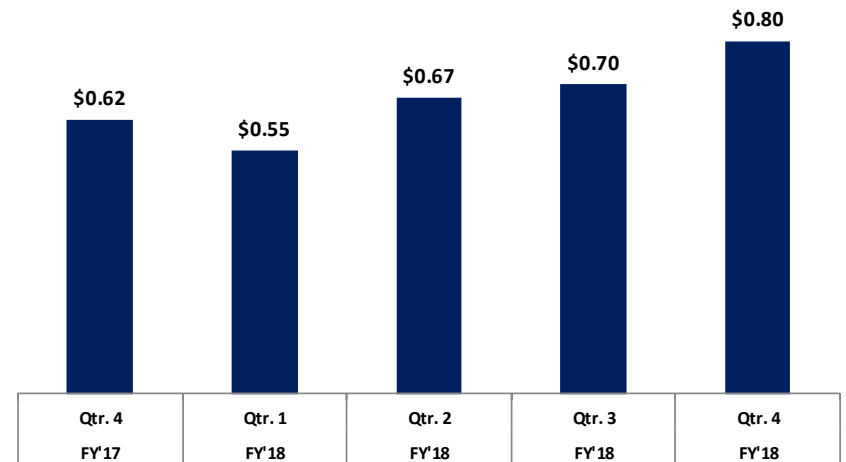
# Korn / Ferry Quarterly Trends



### \*\*Adjusted EBITDA Margin (Non-GAAP)



### \*\*\*Adjusted Diluted EPS (Non-GAAP)



\*\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges, Management Separation Costs and Integration / Acquisition Costs

\*\*\*Diluted Earnings per Share Adjusted to Exclude Restructuring Charges, Management Separation Costs and Integration / Acquisition Costs as Well as the Tax Effects of All These Adjustments



# Korn / Ferry

## Consolidated P&L Trend – (\$M) (Non-GAAP)

	FY'17 Qtr. 4	FY'18		Increase / (Decrease)			
		Qtr. 3	Qtr. 4	Year-over-Year		Sequential	
				\$M	%	\$M	%
Fee Revenue	\$406.1	\$447.6	\$475.4	\$69.3	17.1%	\$27.8	6.2%
Reimbursed Expenses	13.5	13.2	13.0	(0.5)	(3.7%)	(0.2)	(1.5%)
<b>Total Revenue</b>	<b>\$419.6</b>	<b>\$460.8</b>	<b>\$488.4</b>	<b>\$68.8</b>	<b>16.4%</b>	<b>\$27.6</b>	<b>6.0%</b>
<b><u>Operating Expenses:</u></b>							
Compensation & Benefits	\$271.3	\$309.1	\$315.1	\$43.8	16.1%	\$6.0	1.9%
G&A Expenses	59.8	58.5	62.0	2.2	3.7%	3.5	6.0%
Reimbursed Expenses	13.5	13.2	13.0	(0.5)	(3.7%)	(0.2)	(1.3%)
Cost of Services	19.2	17.5	20.5	1.3	6.8%	3.0	17.1%
Deprec. & Amortiz. Exps.	12.3	12.2	11.7	(0.6)	4.9%	(0.5)	(4.1%)
Restruc. & Integ. / Acq. Chgs.**	10.6	1.7	2.8	(7.8)	73.6%	1.1	64.7%
<b>Total Operating Exps.</b>	<b>\$386.8</b>	<b>\$412.1</b>	<b>\$425.1</b>	<b>\$38.3</b>	<b>9.9%</b>	<b>\$13.0</b>	<b>3.2%</b>
<b>Operating Income</b>	<b>\$32.8</b>	<b>\$48.6</b>	<b>\$63.3</b>	<b>\$30.5</b>	<b>92.8%</b>	<b>\$14.7</b>	<b>30.2%</b>
<i>Margin(%)</i>	8.1%	10.9%	13.3%	5.2%	-	2.4%	-
<b>***Adjusted EBITDA</b>	<b>\$60.1</b>	<b>\$70.3</b>	<b>\$74.6</b>	<b>\$14.5</b>	<b>24.1%</b>	<b>\$4.3</b>	<b>6.1%</b>
<b>***Adjusted EBITDA Margin(%)</b>	<b>14.8%</b>	<b>15.7%</b>	<b>15.7%</b>	<b>0.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*\*Restructuring Charges, and Integration / Acquisition Costs

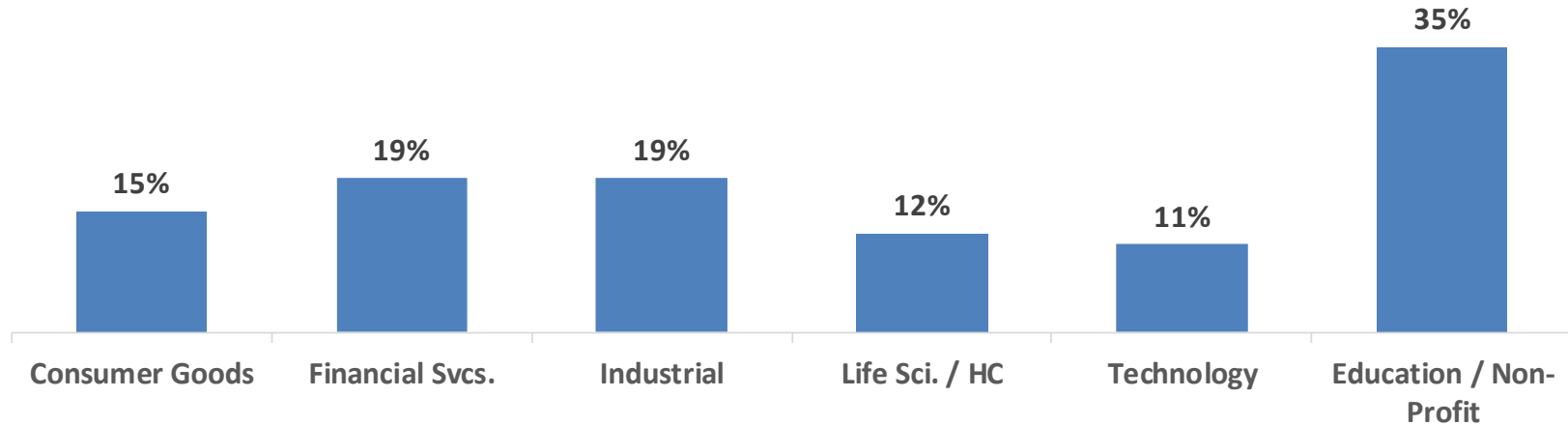
\*\*\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges, Net, Integration / Acquisition Costs & Management Separation Costs



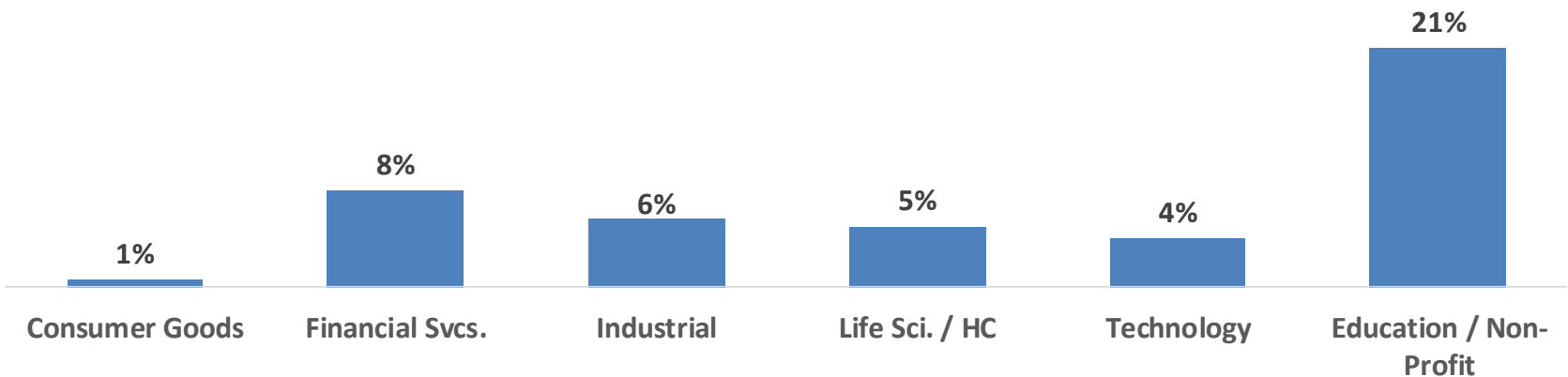
# Korn / Ferry

## Industry Practice Fee Revenue Growth Rate Comparisons

FY'18 Qtr. 4 vs. FY'17 Qtr. 4



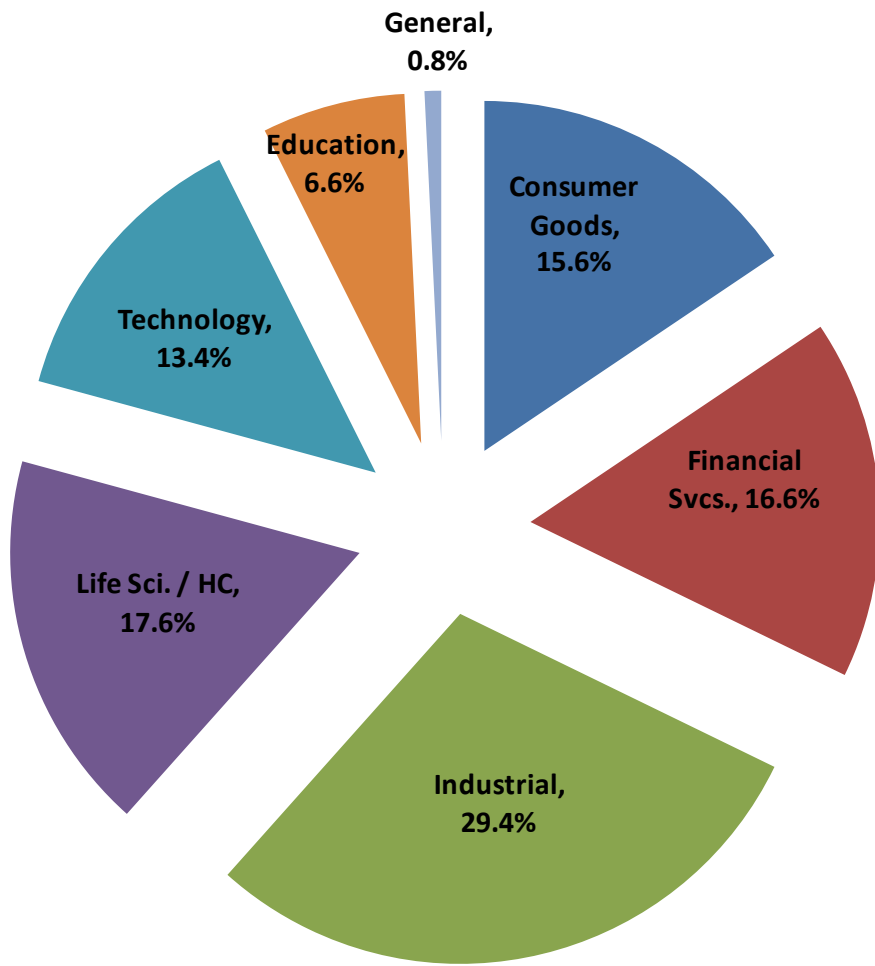
FY'18 Qtr. 4 vs. FY'18 Qtr. 3



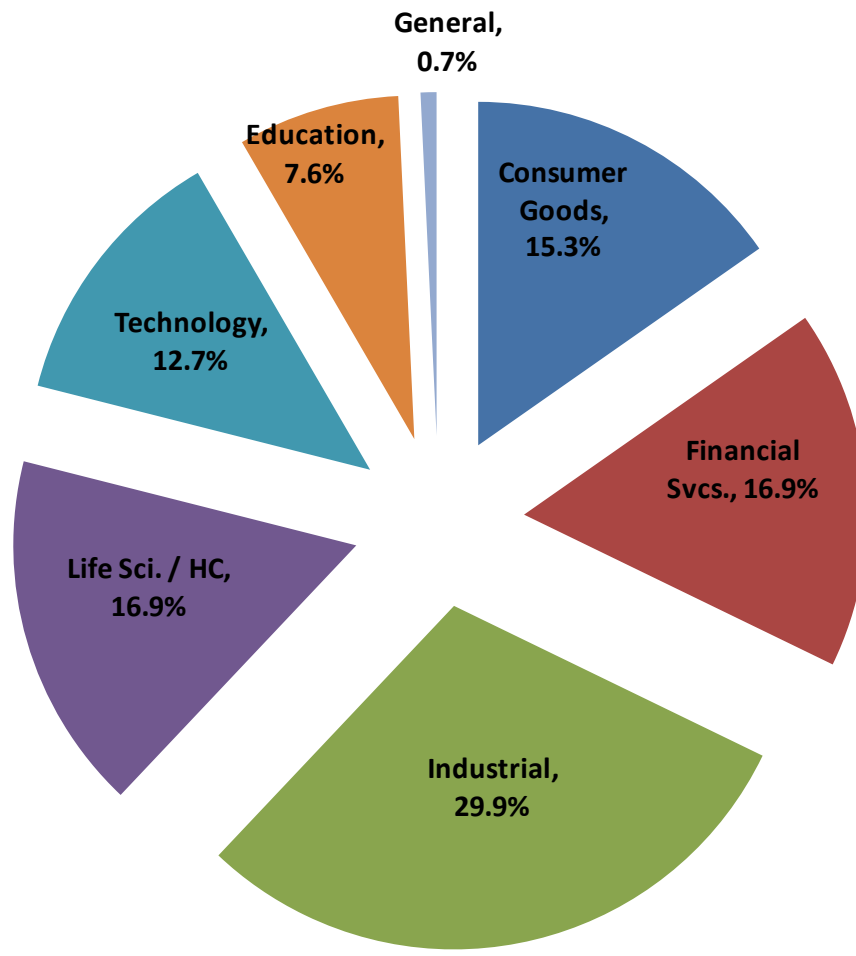
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## Fee Revenue By Specialty Practice

FY'17 Qtr. 4

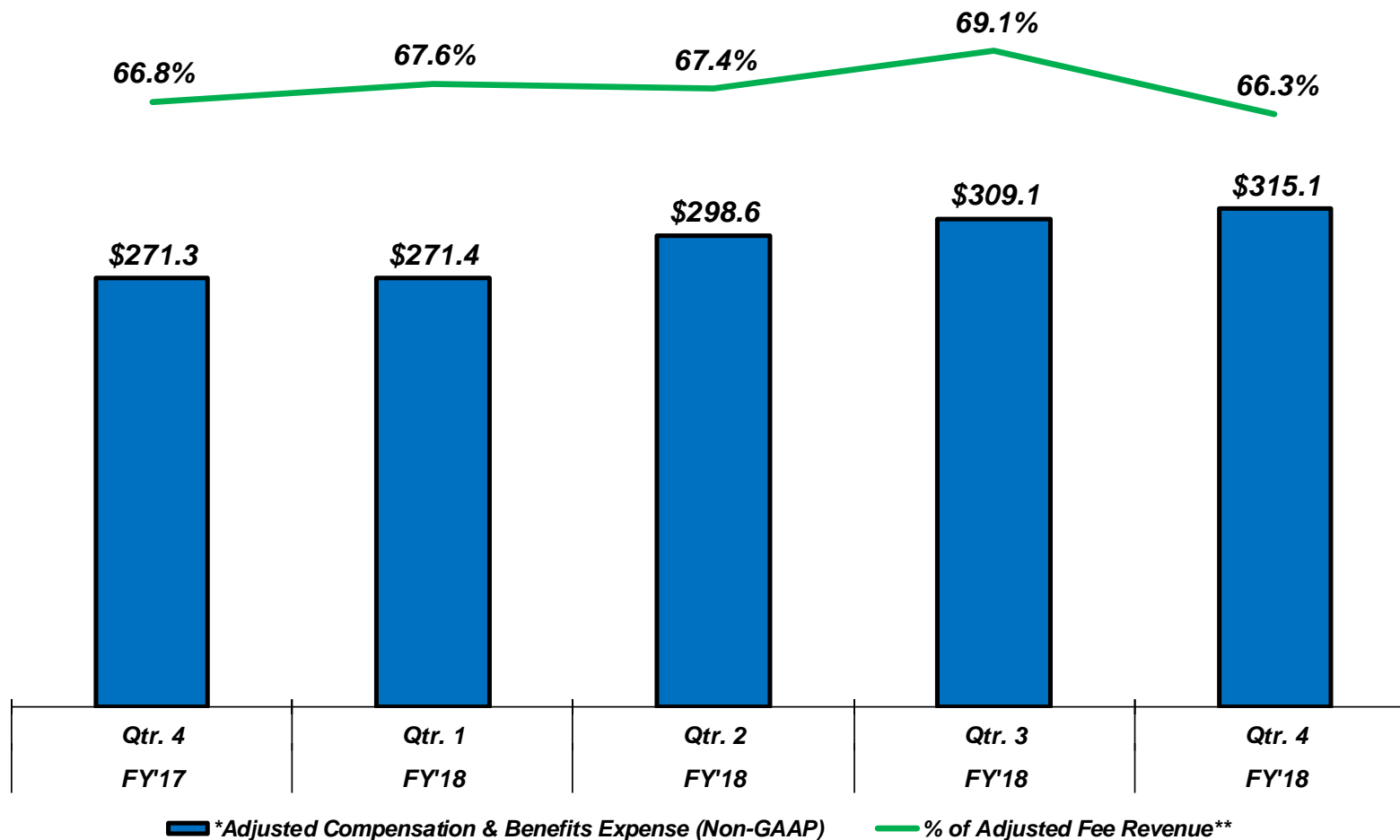


FY'18 Qtr. 4



# Korn / Ferry

## Quarterly Trend – \*Adjusted Compensation & Benefits Expense (\$M) (Non-GAAP)



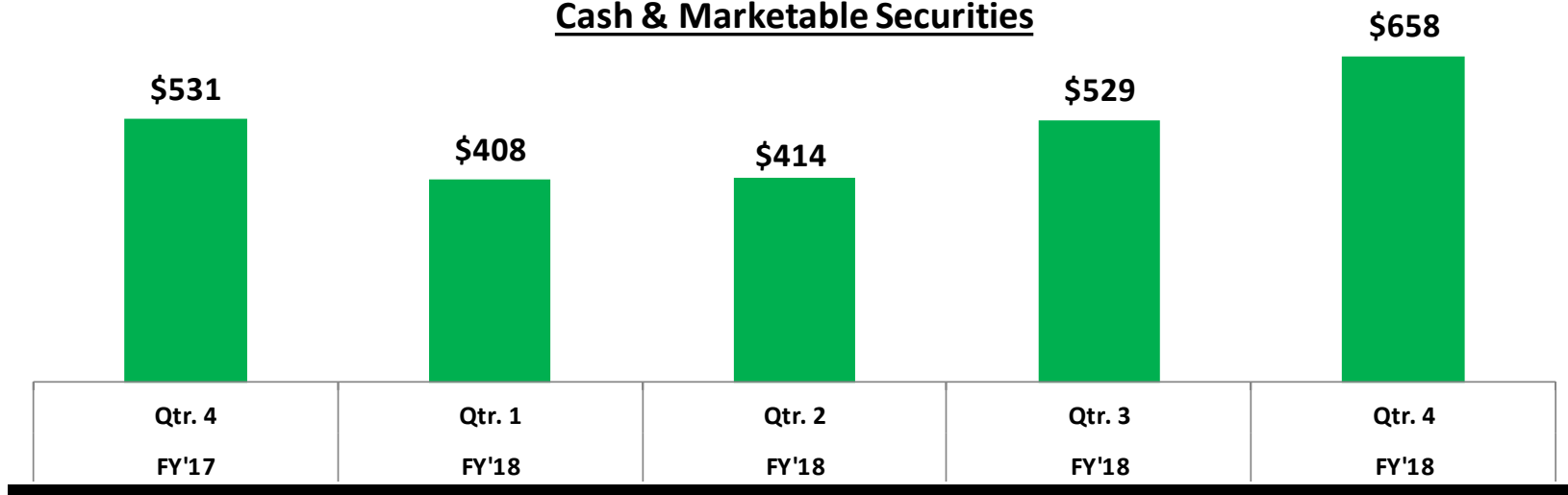
\* Excludes Restructuring and Management Separation Charges and Integration / Acquisition Costs



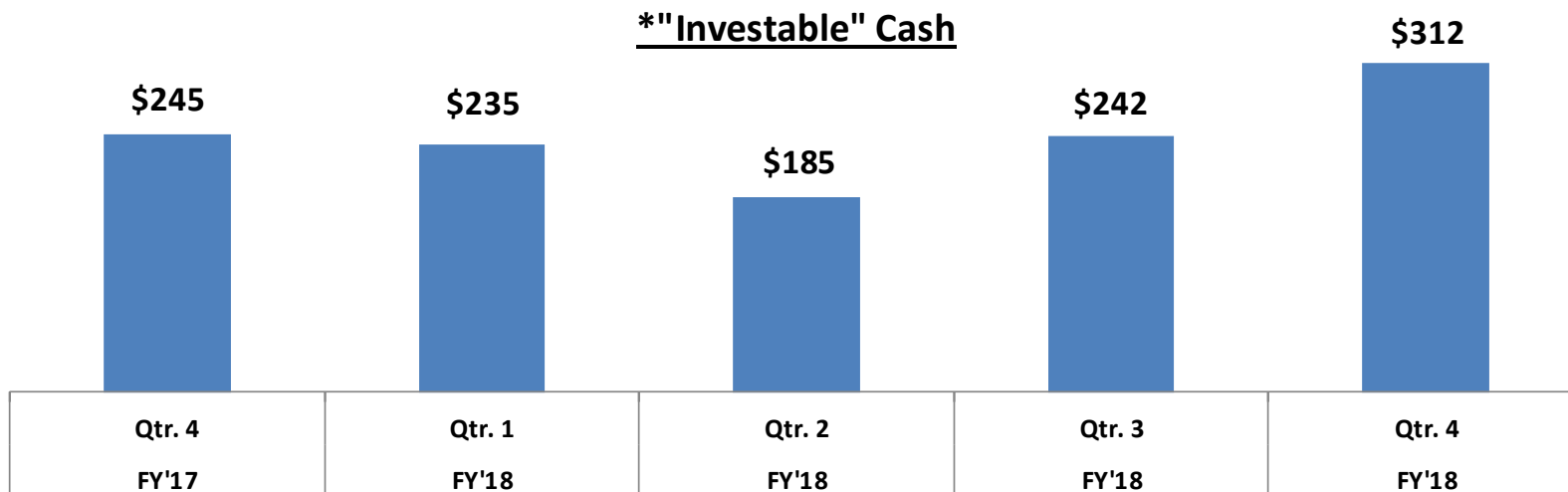
# Korn / Ferry

## Quarterly Trend – Cash & Marketable Securities (\$M)

### Cash & Marketable Securities



### \*"Investable" Cash



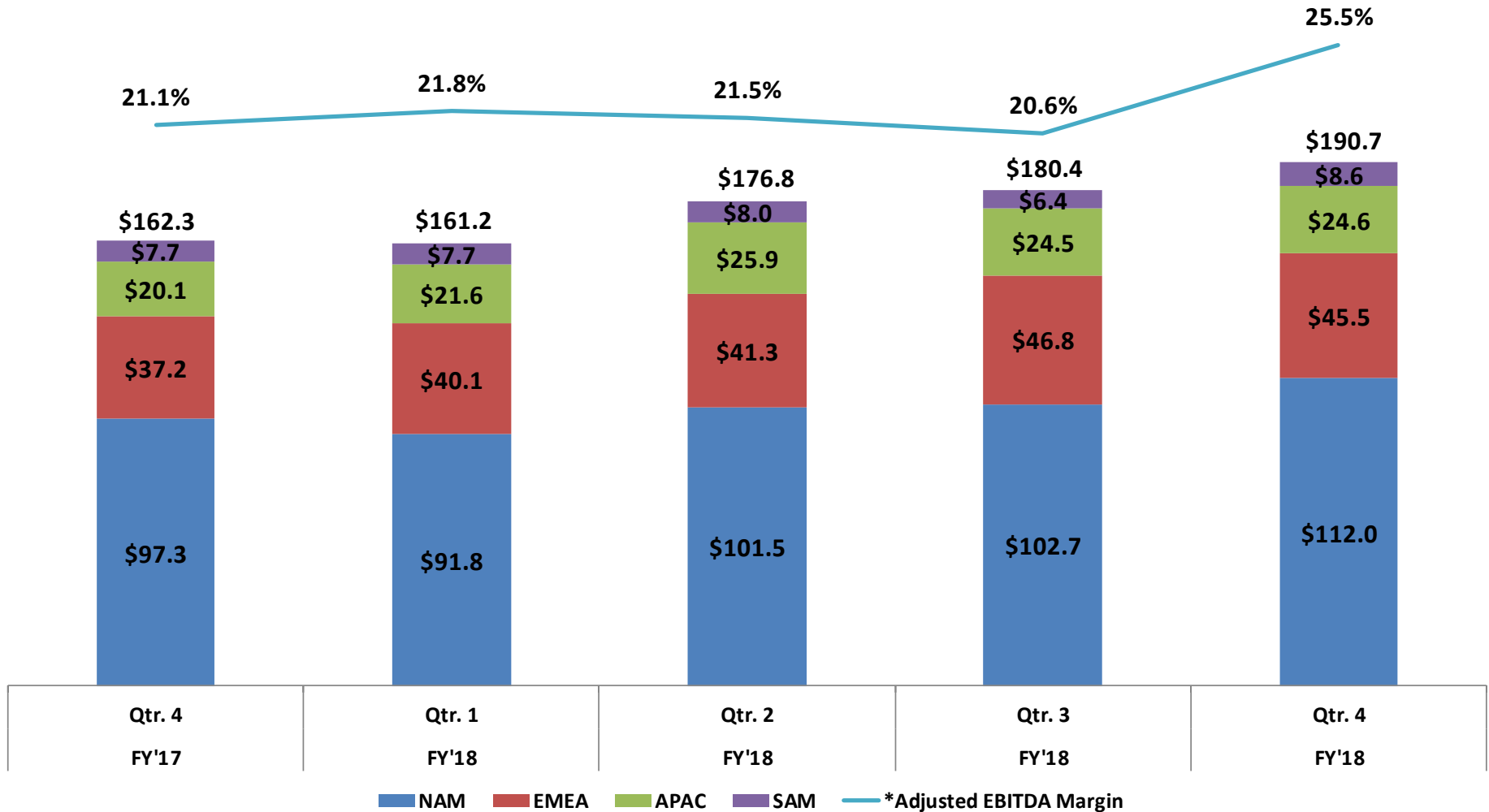
\*Cash & Marketable Securities Net of Cash & Marketable Securities Reserved for Deferred Compensation Arrangements and for Accrued Bonuses





# Executive Search

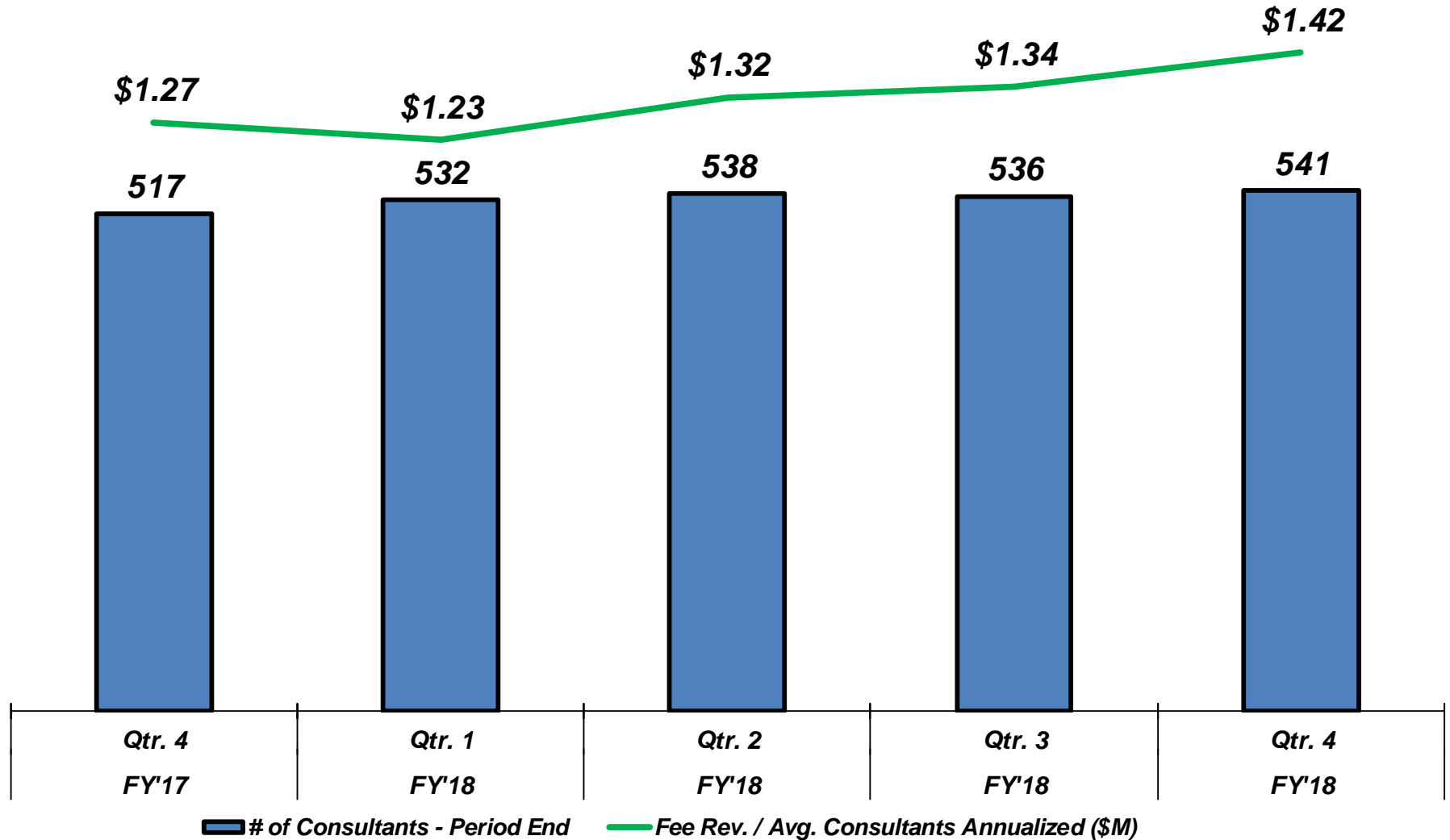
## Quarterly Trends – Fee Revenue (\$M) & \*Adjusted EBITDA Margin (Non-GAAP)



\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges

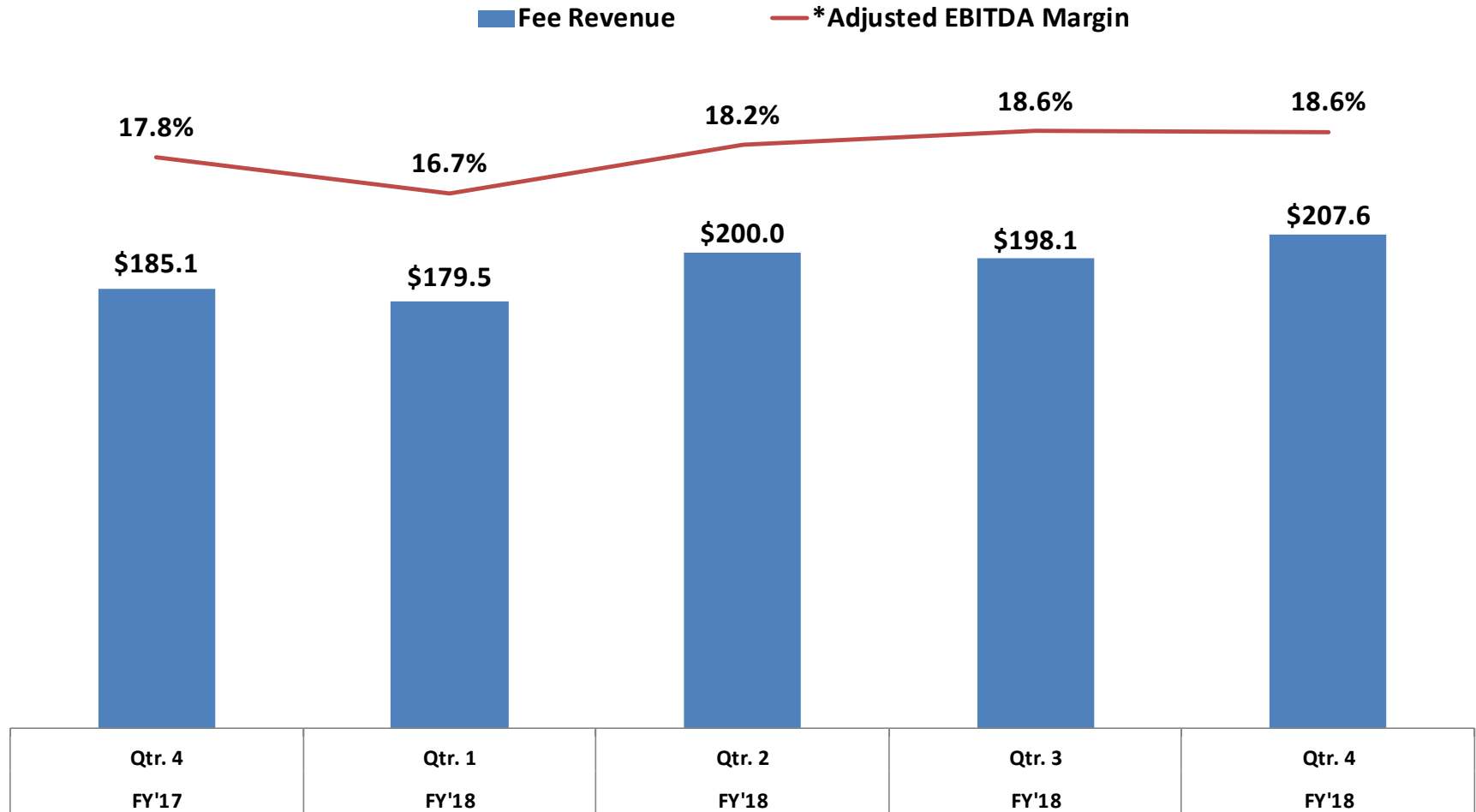


# Executive Search Consultants & Consultant Productivity



# Hay Group

## Quarterly Trends – Fee Revenue (\$M) & \*Adjusted EBITDA Margin (Non-GAAP)

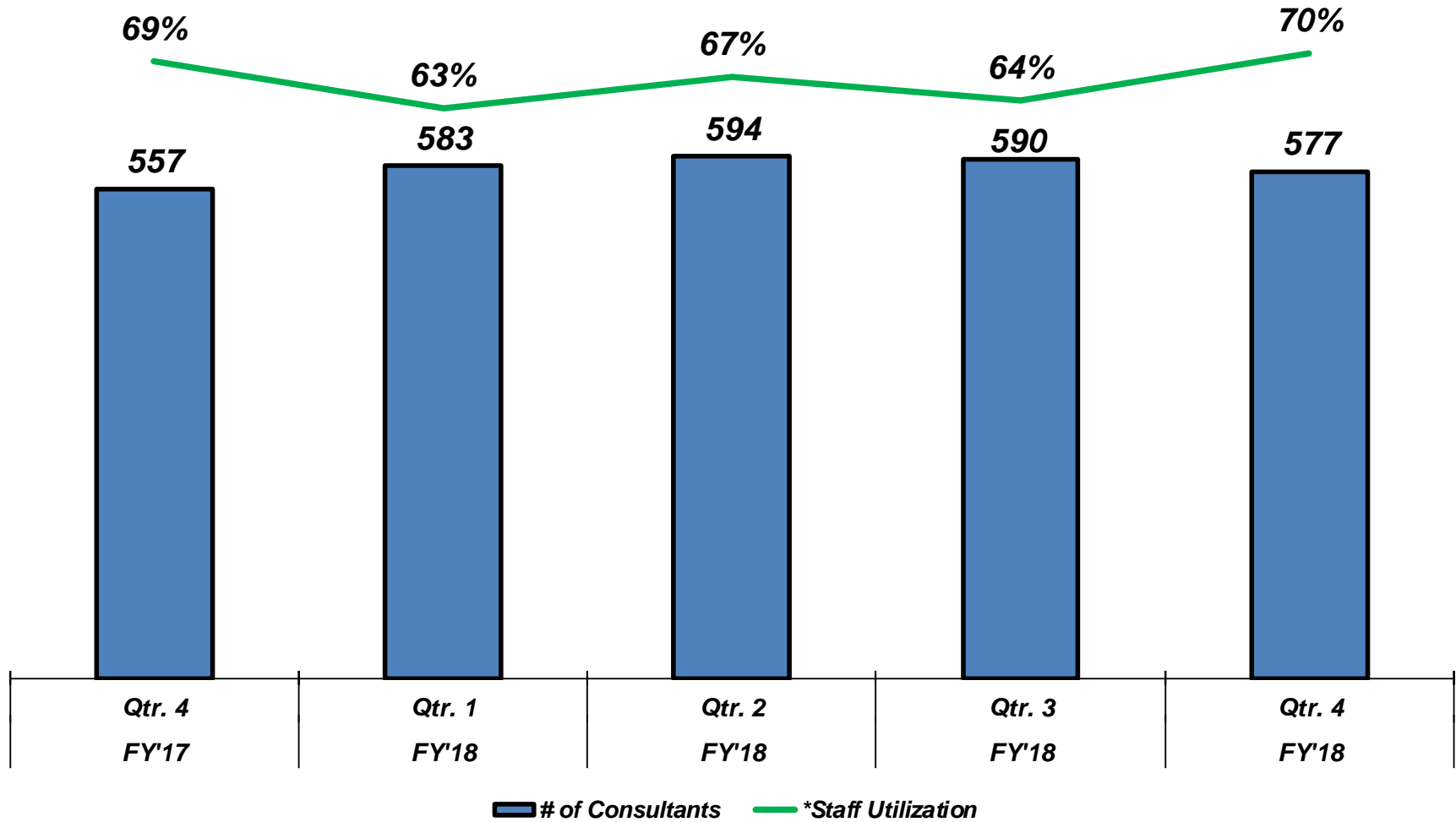


\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges, Management Separation Costs and Integration / Acquisition Costs



# Hay Group

## # of Consultants & Professional Staff Productivity

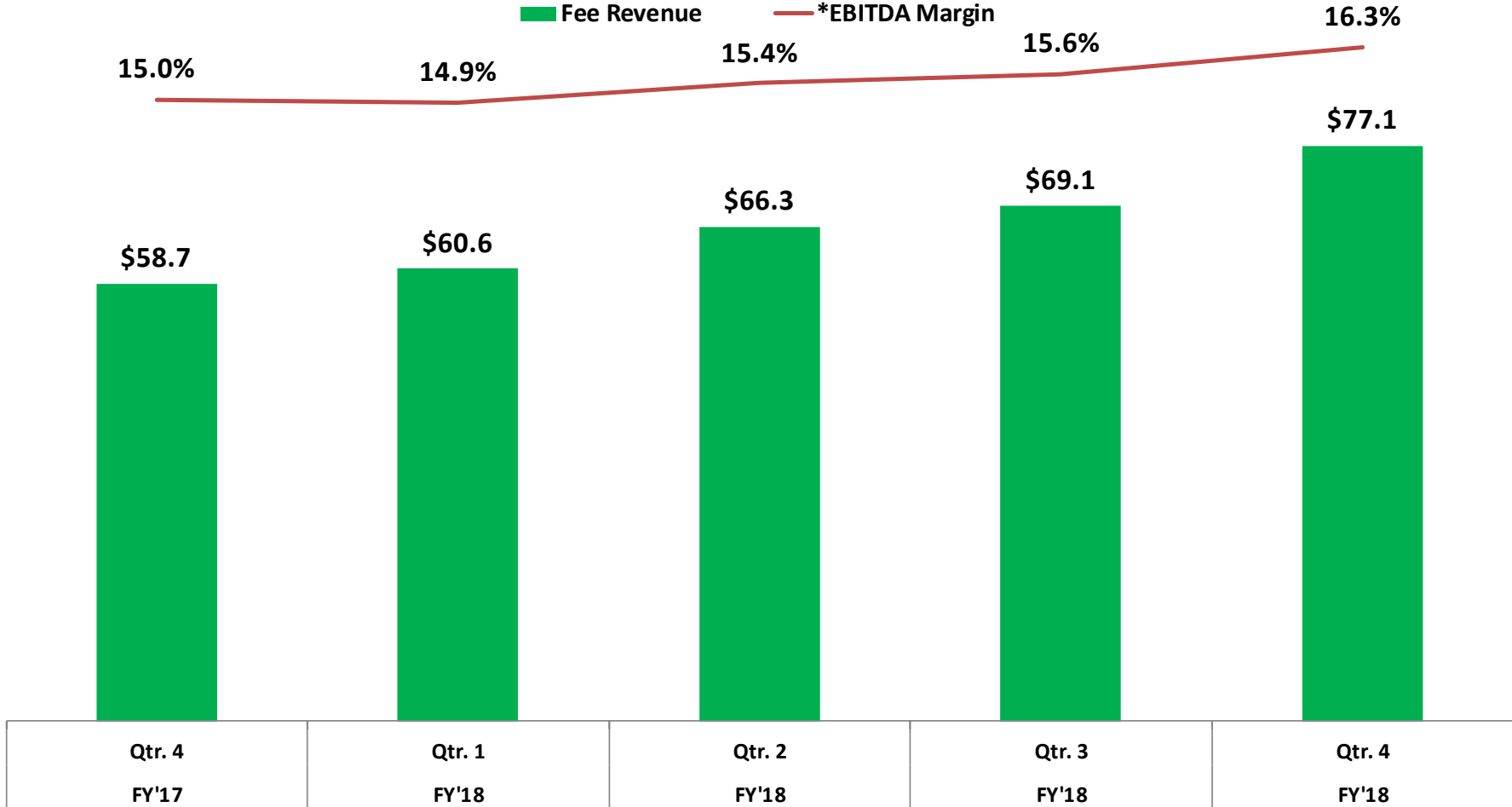


*\*Calculated By Dividing the Number of Hours of Full-Time Professional Staff, Who Recorded Time to an Engagement During the Period, By the Total Available Working Hours for the Professional Staff During the Same Period*



# Futurestep

## Quarterly Trends – Fee Revenue (\$M) & \*EBITDA Margin (Non-GAAP)



\*Earnings Before Interest, Taxes, Depreciation and Amortization



# **Reconciliations of Non-GAAP Financial Measures to U.S. GAAP Financial Measures**

**Earnings Conference Call  
June 13, 2018**

# Korn / Ferry

## Reconciliation of Operating Income (GAAP) to Adjusted EBITDA (Non-GAAP) (\$M) FY'17 Q4 to FY'18 Q4

	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3	FY'18 Qtr. 4
Fee Revenue	\$406.1	\$401.3	\$443.0	\$447.6	\$475.4
Operating Income	32.8	40.7	51.2	48.6	63.3
Depreciation & Amortization	12.3	12.2	12.4	12.2	11.7
Other Income / (Loss) , Net	4.2	3.5	3.6	7.7	(3.3)
Equity in Earnings of Uncold. Subs., Net	0.1	-	0.1	0.1	0.1
<b>EBITDA</b>	<b>\$49.5</b>	<b>\$56.5</b>	<b>\$67.4</b>	<b>\$68.6</b>	<b>\$71.8</b>
Restructuring Chgs. / (Recoveries) - Net	6.3	0.3	(0.2)	-	-
Integration / Acquisition Costs	3.7	2.6	2.4	1.7	2.8
Separation Costs	0.6	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$60.1</b>	<b>\$59.4</b>	<b>\$69.6</b>	<b>\$70.3</b>	<b>\$74.6</b>
Operating Margin	8.1%	10.2%	11.6%	10.9%	13.3%
Depreciation & Amortization	3.0%	3.0%	2.8%	2.7%	2.5%
Other Income / (Loss) , Net	1.1%	0.9%	0.8%	1.7%	(0.7%)
Equity in Earnings of Uncold. Subs., Net	-	-	-	-	-
<b>EBITDA Margin</b>	<b>12.2%</b>	<b>14.1%</b>	<b>15.2%</b>	<b>15.3%</b>	<b>15.1%</b>
Restructuring Charges - Net	1.5%	0.1%	-	-	-
Integration / Acquisition Costs	0.9%	0.6%	0.5%	0.4%	0.6%
Separation Costs	0.2%	-	-	-	-
<b>Adjusted EBITDA Margin</b>	<b>14.8%</b>	<b>14.8%</b>	<b>15.7%</b>	<b>15.7%</b>	<b>15.7%</b>



# Korn / Ferry

## Reconciliation of Net Income & EPS (GAAP) to Adjusted Net Income & Adjusted EPS (Non-GAAP) (\$M) FY'17 Q4 to FY'18 Q4

	<u>FY'17 Qtr. 4</u>	<u>FY'18 Qtr. 1</u>	<u>FY'18 Qtr. 2</u>	<u>FY'18 Qtr. 3</u>	<u>FY'18 Qtr. 4</u>
Net Income Attributable to Korn / Ferry	\$26.9	\$29.0	\$36.3	\$27.2	\$41.2
Restructuring Chgs. / (Recoveries) - Net	6.3	0.3	(0.2)	-	-
Integration / Acquisition Costs	3.7	2.6	2.4	1.7	2.8
Separation Costs	0.6	-	-	-	-
(1) Tax Effect of the Above Items	(2.4)	(0.7)	(0.7)	(0.3)	(0.5)
Tax Effect of New Tax Law	-	-	-	11.3	2.2
Adjusted Net Income Attributable to K/F	<u>\$35.2</u>	<u>\$31.2</u>	<u>\$37.8</u>	<u>\$39.9</u>	<u>\$45.6</u>
Diluted Earnings per Common Sh.	\$0.47	\$0.51	\$0.64	\$0.48	\$0.73
Restructuring Charges - Net	0.10	-	-	-	-
Integration / Acquisition Costs	0.07	0.05	0.04	0.03	0.05
Separation Costs	0.01	-	-	-	-
(1) Tax Effect on the Above Items	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)
Tax Effect of New Tax Law	-	-	-	0.20	0.03
Adjusted Diluted Earnings per Sh.	<u>\$0.62</u>	<u>\$0.55</u>	<u>\$0.67</u>	<u>\$0.70</u>	<u>\$0.80</u>

(1) Tax Effect on Restructuring Charges, Net, Integration / Acquisition Costs and Management Separation Costs





# Korn / Ferry

## Reconciliation of Net Income and Operating Income (GAAP) to EBITDA and Adjusted EBITDA (Non-GAAP) (\$M) FY'17 Q4 to FY'18 Q3

	FY'17 Q4					FY'18 Q1					FY'18 Q2					FY'18 Q3				
	Exec. Recruitment	Hay Group	F/S	Corp.	KFI	Exec. Recruitment	Hay Group	F/S	Corp.	KFI	Exec. Recruitment	Hay Group	F/S	Corp.	KFI	Exec. Recruitment	Hay Group	F/S	Corp.	KFI
Fee Revenue	\$162.3	\$185.1	\$58.7	-	\$406.1	\$161.2	\$179.5	\$60.6	-	\$401.3	\$176.8	\$200.0	\$66.3	-	\$443.0	\$180.4	\$198.1	\$69.1	-	\$447.6
Net Income	-	-	-	-	26.9	-	-	-	-	29.0	-	-	-	-	36.3	-	-	-	-	27.2
Net Income Attributable to Noncontrolling Interest	-	-	-	-	0.8	-	-	-	-	0.4	-	-	-	-	0.4	-	-	-	-	0.2
Oth. (Incm.) / Loss- Net	-	-	-	-	(4.2)	-	-	-	-	(3.5)	-	-	-	-	(3.6)	-	-	-	-	(7.7)
Interest Exps. - Net	-	-	-	-	2.1	-	-	-	-	2.7	-	-	-	-	2.6	-	-	-	-	2.7
Equity in Earnings of Uncold. Sub.	-	-	-	-	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)	-	-	-	-	(0.1)
Income Tax Exps.	-	-	-	-	7.4	-	-	-	-	12.2	-	-	-	-	15.6	-	-	-	-	26.3
Oper. Incm. / (Loss)	\$30.6	\$16.1	\$8.1	(\$22.0)	\$32.8	\$32.8	\$19.1	\$8.2	(\$19.4)	\$40.7	\$35.2	\$26.4	\$9.4	(\$19.7)	\$51.2	\$34.3	\$27.1	\$10.1	(\$22.9)	\$48.6
Margin (%)	18.8%	8.7%	13.9%	-	8.1%	20.4%	10.6%	13.6%	-	10.2%	19.9%	13.2%	14.2%	-	11.6%	19.0%	13.7%	14.6%	-	10.9%
Deprec. & Amortiz.	1.9	8.2	0.7	1.5	12.3	1.8	8.1	0.8	1.5	12.2	1.9	8.1	0.8	1.6	12.4	1.9	7.9	0.7	1.7	12.2
Oth. Incm. / (Loss) - Net	1.0	-	(0.1)	3.3	4.2	0.5	-	-	3.0	3.5	0.5	0.1	-	3.1	3.6	0.8	0.4	-	6.5	7.7
Equity in Earnings of Uncons. Sub.	0.1	-	-	-	0.1	-	-	-	-	-	0.1	-	-	-	0.1	0.1	-	-	-	0.1
EBITDA	\$33.6	\$24.3	\$8.8	(\$17.1)	\$49.5	\$35.1	\$27.2	\$9.0	(\$14.9)	\$56.5	\$37.6	\$34.6	\$10.2	(\$15.0)	\$67.4	\$37.2	\$35.3	\$10.8	(\$14.7)	\$68.6
Margin (%)	20.7%	13.1%	15.0%	-	12.2%	21.8%	15.2%	14.9%	-	14.1%	21.3%	17.3%	15.4%	-	15.2%	20.6%	17.8%	15.6%	-	15.3%
Restructuring Chgs.	\$0.6	\$5.7	-	-	\$6.3	\$0.1	\$0.2	-	-	\$0.3	\$0.3	(\$0.5)	-	-	(\$0.2)	-	-	-	-	-
Separation Costs	-	0.6	-	-	0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Integ. / Acq. Costs	-	2.4	-	1.3	3.7	-	2.5	-	0.1	2.6	-	2.3	-	0.1	2.4	-	1.6	-	0.1	1.7
Adjusted EBITDA	\$34.2	\$33.0	\$8.8	(\$15.9)	\$60.1	\$35.2	\$30.0	\$9.0	\$14.8	\$59.4	\$37.9	\$36.4	\$10.2	(\$15.0)	\$69.6	\$37.2	\$36.9	\$10.8	(\$14.6)	\$70.3
Margin (%)	21.1%	17.8%	15.0%	-	14.8%	21.8%	16.7%	14.9%	-	14.8%	21.5%	18.2%	15.4%	-	15.7%	20.6%	18.6%	15.6%	-	15.7%



# Korn / Ferry

## Reconciliation of Net Income and Operating Income (GAAP) to EBITDA and Adjusted EBITDA (Non-GAAP) (\$M) FY'18 Q4

	FY'18 Q4				KFI
	Exec. Recruitment	Hay Group	F/S	Corp.	
Fee Revenue	\$190.7	\$207.6	\$77.1	-	\$475.4
Net Income	-	-	-	-	41.2
Net Income Attributable to Noncontrolling Interest	-	-	-	-	1.1
Oth. (Incm.) / Loss- Net	-	-	-	-	3.3
Interest Exps. - Net	-	-	-	-	1.8
Equity in Earnings of Uncold. Sub.	-	-	-	-	(0.1)
Income Tax Exps.	-	-	-	-	16.0
<b>Oper. Incm. / (Loss)</b>	<b>\$46.9</b>	<b>\$28.4</b>	<b>\$11.7</b>	<b>(\$23.7)</b>	<b>\$63.3</b>
<i>Margin (%)</i>	<i>24.6%</i>	<i>13.7%</i>	<i>15.1%</i>	-	<i>13.3%</i>
Deprec. & Amortiz.	1.8	7.4	0.7	1.7	11.7
Oth. Incm. / (Loss) - Net	(0.2)	0.1	0.1	(3.4)	(3.3)
Equity in Earnings of Uncons. Sub.	0.1	-	-	-	0.1
<b>EBITDA</b>	<b>\$48.6</b>	<b>\$36.0</b>	<b>\$12.5</b>	<b>(\$25.3)</b>	<b>\$71.8</b>
<i>Margin (%)</i>	<i>25.5%</i>	<i>17.3%</i>	<i>16.3%</i>	-	<i>15.1%</i>
Restructuring Chgs.	-	-	-	-	-
Separation Costs	-	-	-	-	-
Integ. / Acq. Costs	-	2.7	-	0.1	2.8
<b>Adjusted EBITDA</b>	<b>\$48.6</b>	<b>\$38.7</b>	<b>\$12.5</b>	<b>(\$25.3)</b>	<b>\$74.6</b>
<i>Margin (%)</i>	<i>25.5%</i>	<i>18.6%</i>	<i>16.3%</i>	-	<i>15.7%</i>



# Korn / Ferry

Reconciliation of Compensation & Benefits Expense (GAAP) to Adjusted Compensation & Benefits Expense (Non-GAAP) (\$M)  
 FY'17 Q4 to FY'18 Q4

	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3	FY'18 Qtr. 4
Fee Revenue	\$406.1	\$401.3	\$443.0	\$447.6	\$475.4

	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3	FY'18 Qtr. 4
Compensations & Benefits	\$275.5	\$274.0	\$301.0	\$310.8	\$317.9
Integration / Acquisition Costs	(3.5)	(2.6)	(2.4)	(1.7)	(2.8)
Separation Costs	(0.6)	-	-	-	-
Adjusted Comp. & Benfts. Exps.	\$271.3	\$271.4	\$298.6	\$309.1	\$315.1
Comp. & Benfts. (as % of Fee Rev.)	67.8%	68.3%	68.0%	69.4%	66.9%
Integration / Acquisition Costs	(1.0%)	(0.6%)	(0.5%)	(0.4%)	(0.6%)
Separation Costs	-	-	-	-	-
Adjusted Comp. & Benfts. Exps. (as a % of Adj. Fee Rev.)	66.8%	67.6%	67.4%	69.1%	66.3%



# Korn / Ferry

## Reconciliation of Cash & Marketable Securities Balance to “Investable Cash” Balance (\$M) FY'17 Q4 to FY'18 Q4

	<u>FY'17 Qtr. 4</u>	<u>FY'18 Qtr. 1</u>	<u>FY'18 Qtr. 2</u>	<u>FY'18 Qtr. 3</u>	<u>FY'18 Qtr. 4</u>
Cash	\$410.9	\$282.0	\$282.6	\$390.0	\$520.8
Marketable Securities	119.9	126.3	131.2	139.0	137.1
Cash & Marketable Securities	<u>\$530.8</u>	<u>\$408.3</u>	<u>\$413.9</u>	<u>\$529.0</u>	<u>\$657.9</u>
ECAP & Bonus Liability	(285.8)	(173.2)	(229.0)	(286.9)	(345.6)
Investable Cash	<u>\$245.0</u>	<u>\$235.1</u>	<u>\$184.9</u>	<u>\$242.1</u>	<u>\$312.4</u>





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