

# Korn / Ferry

FY'18 Qtr. 3

Earnings Conference Call

March 6, 2018



# Safe Harbor Statement

## Forward-Looking Statements

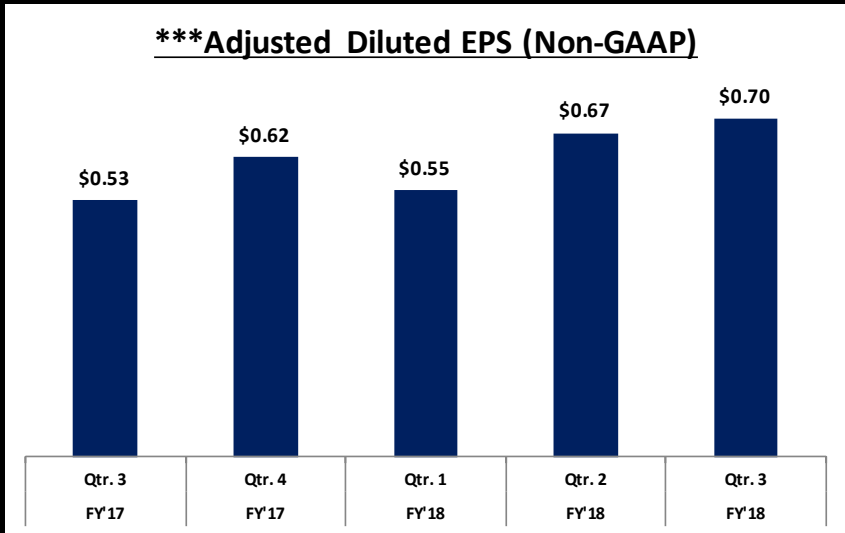
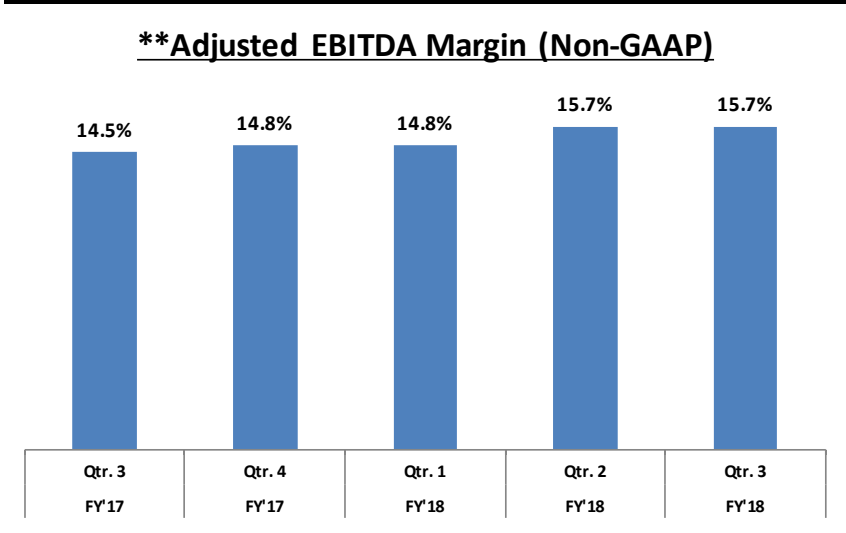
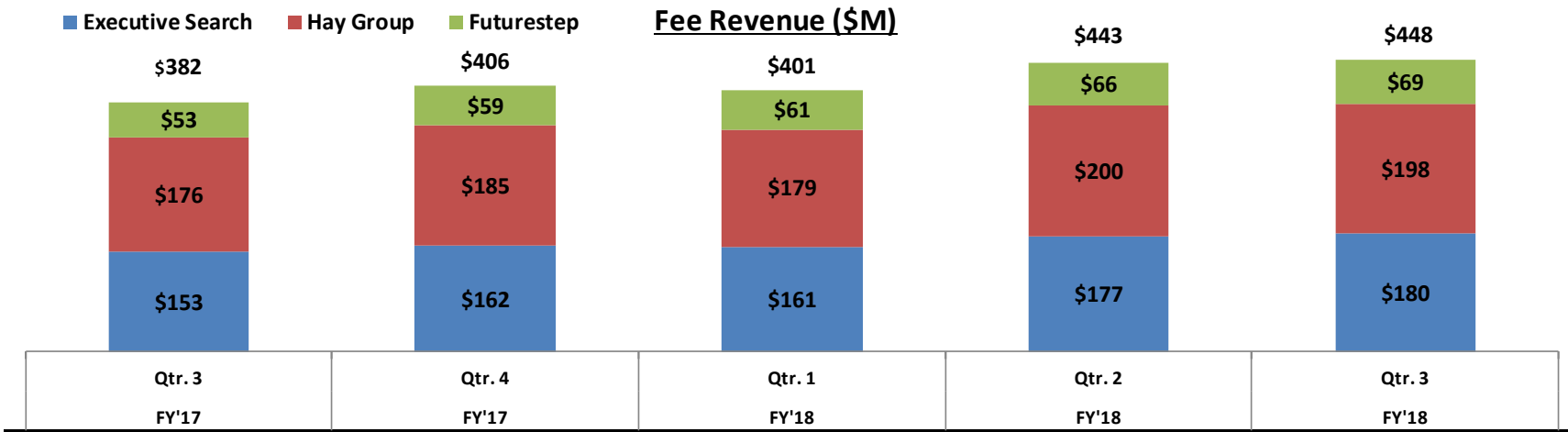
*Statements in this presentation that relate to future results and events are based on Korn/Ferry's current expectations. You are cautioned not to place undue reliance on such statements. Actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties that are beyond the control of Korn/Ferry. For a detailed description of such risks and uncertainties, please refer to Korn Ferry's earnings release and its periodic filings with the Securities and Exchange Commission.*

## Non-GAAP Financial Metrics

*This presentation includes financial information calculated other than in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). This non-GAAP disclosure has limitations as an analytical tool, should not be viewed as a substitute for financial information determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies. Please refer to slides 15 to 20 for a reconciliation of each of the non-GAAP financial measures included in this presentation to the closest GAAP measure.*



# Korn / Ferry Quarterly Trends



\*\*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	FY'18	FY'18	<i>Increase / (Decrease)</i>			
				<i>Year-over-Year</i>		<i>Sequential</i>	
				<i>Qtr. 3</i>	<i>Qtr. 2</i>	<i>Qtr. 3</i>	<i>\$M</i>
Fee Revenue	\$381.9	\$443.0	\$447.6	\$65.7	17.2%	\$4.6	1.0%
Reimbursed Expenses	12.3	12.5	13.2	0.9	7.3%	0.7	5.6%
<b>Total Revenue</b>	<b>\$394.2</b>	<b>\$455.5</b>	<b>\$460.8</b>	<b>\$66.6</b>	<b>16.9%</b>	<b>\$5.3</b>	<b>1.2%</b>
<b><u>Operating Expenses:</u></b>							
Compensation & Benefits	\$258.2	\$298.6	\$309.1	\$50.9	19.7%	\$10.5	3.5%
G&A Expenses	56.2	58.6	58.5	2.3	4.1%	(0.1)	(0.2%)
Reimbursed Expenses	12.3	12.5	13.2	0.9	7.3%	0.7	5.6%
Cost of Services	16.5	19.9	17.5	1.0	6.1%	(2.4)	(12.1%)
Deprec. & Amortiz. Exps.	11.8	12.4	12.2	0.4	3.4%	(0.2)	(1.6%)
Restruc. & Integ. / Acq. Chgs.**	8.6	2.2	1.7	(6.9)	(80.2%)	(0.5)	(22.7%)
<b>Total Operating Exps.</b>	<b>\$363.7</b>	<b>\$404.2</b>	<b>\$412.1</b>	<b>\$48.4</b>	<b>13.3%</b>	<b>\$7.9</b>	<b>2.0%</b>
<b>Operating Income</b>	<b>\$30.5</b>	<b>\$51.2</b>	<b>\$48.6</b>	<b>\$18.1</b>	<b>59.3%</b>	<b>(\$2.6)</b>	<b>(5.1%)</b>
<i>Margin(%)</i>	<i>8.0%</i>	<i>11.6%</i>	<i>10.9%</i>	<i>2.9%</i>	<i>-</i>	<i>(0.7%)</i>	<i>-</i>
<b>***Adjusted EBITDA</b>	<b>\$55.3</b>	<b>\$69.6</b>	<b>\$70.3</b>	<b>\$15.0</b>	<b>27.1%</b>	<b>\$0.7</b>	<b>1.0%</b>
<b>***Adjusted EBITDA Margin(%)</b>	<b>14.5%</b>	<b>15.7%</b>	<b>15.7%</b>	<b>1.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

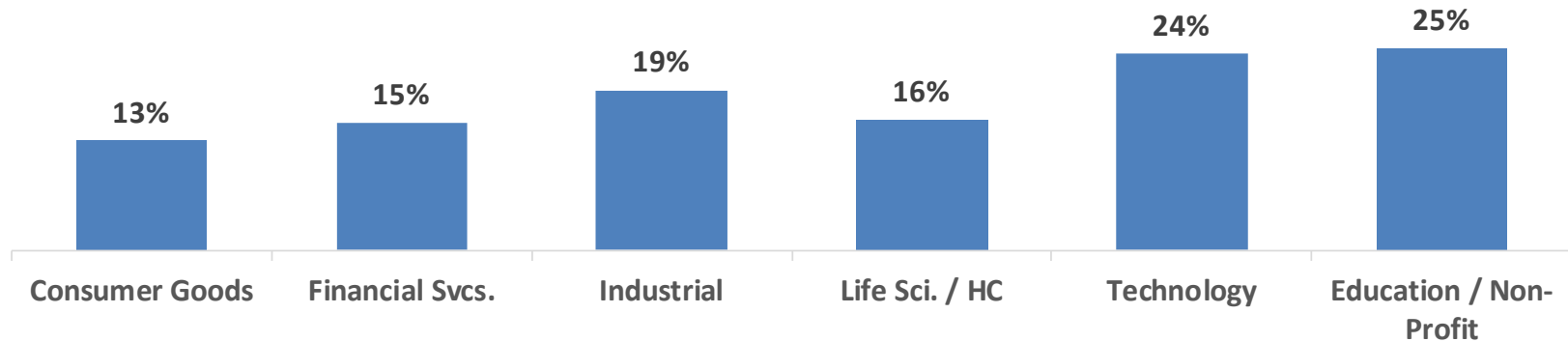
\*\*\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges and Integration / Acquisition Costs



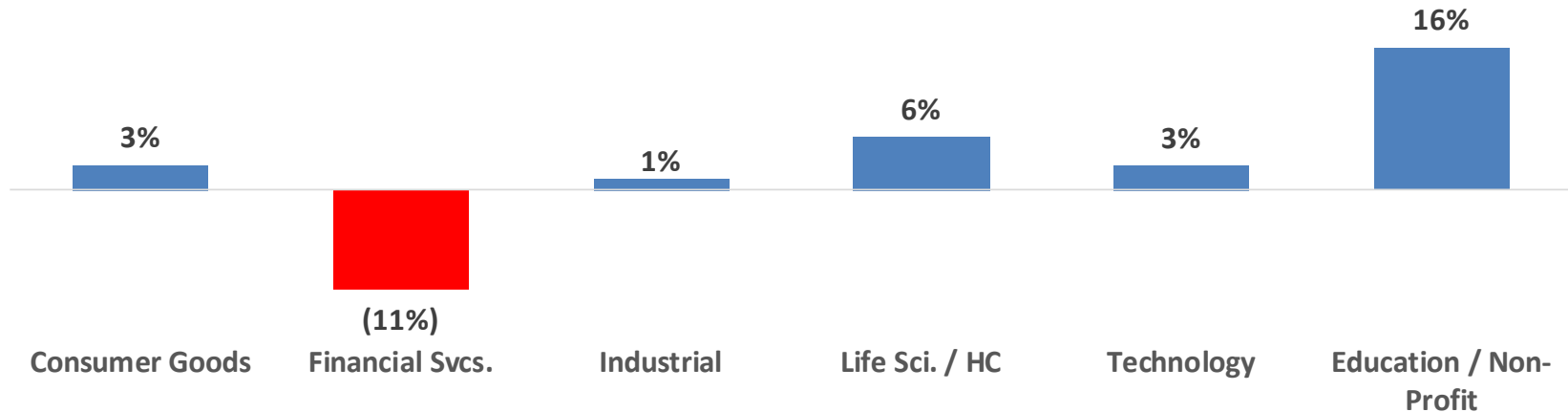
# Korn / Ferry

## Industry Practice Fee Revenue Growth Rate Comparisons

FY'18 Qtr. 3 vs. FY'17 Qtr. 3



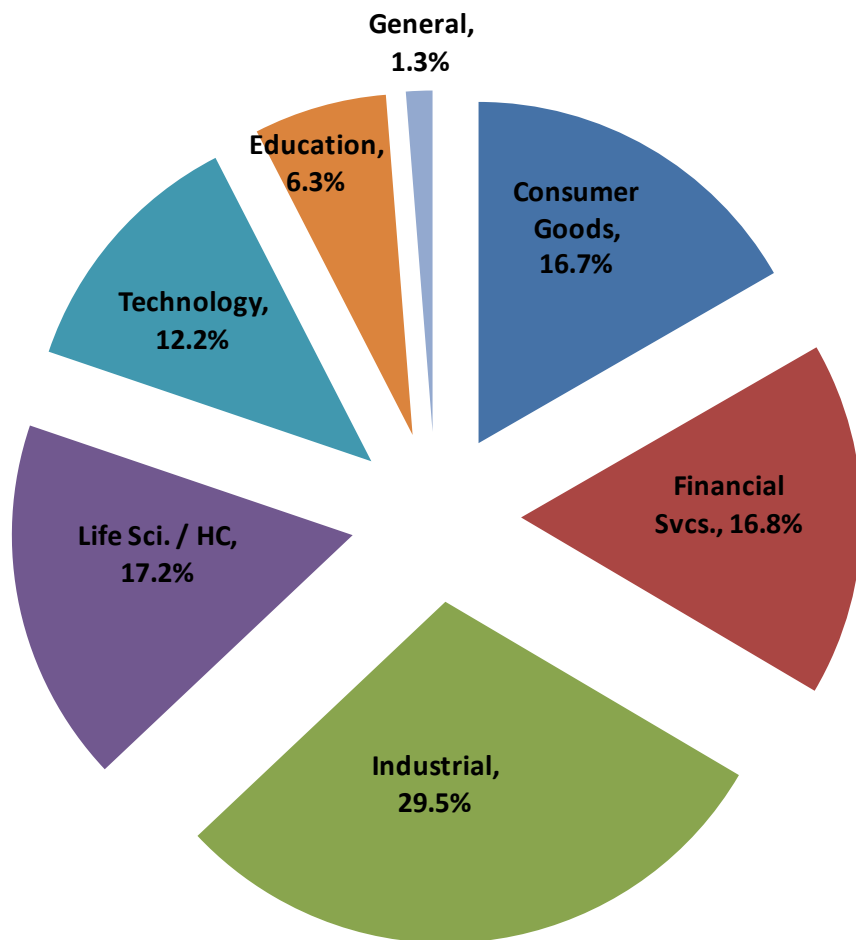
FY'18 Qtr. 3 vs. FY'18 Qtr. 2



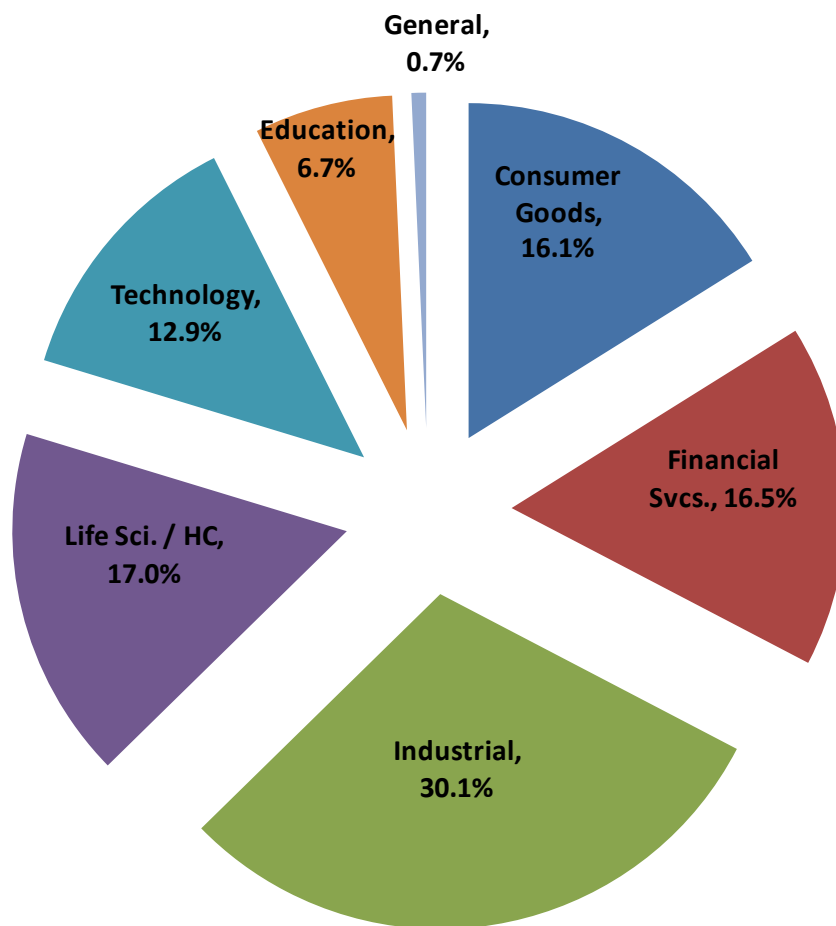
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## Fee Revenue By Specialty Practice

**FY'17 Qtr. 3**

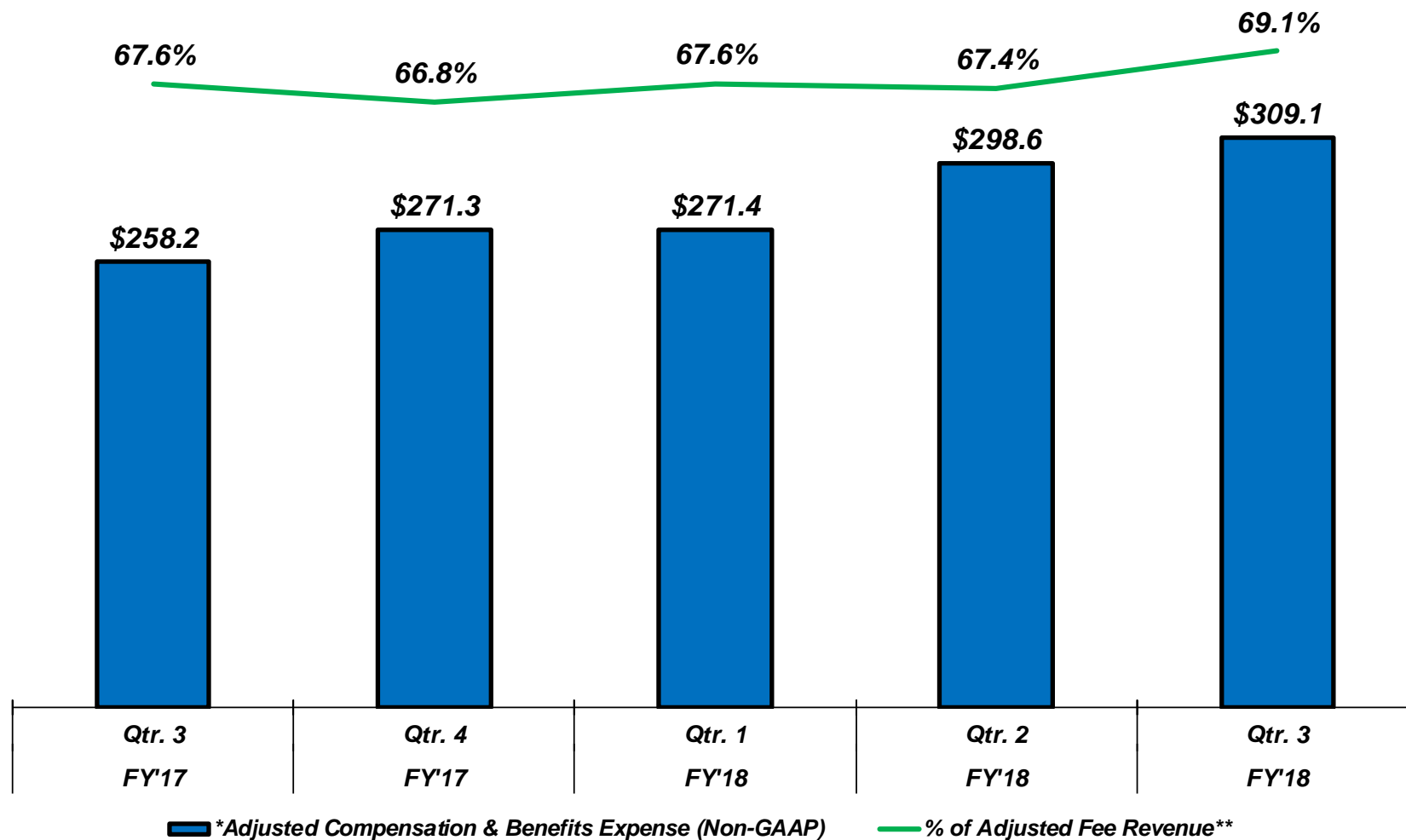


**FY'18 Qtr. 3**



# Korn / Ferry

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

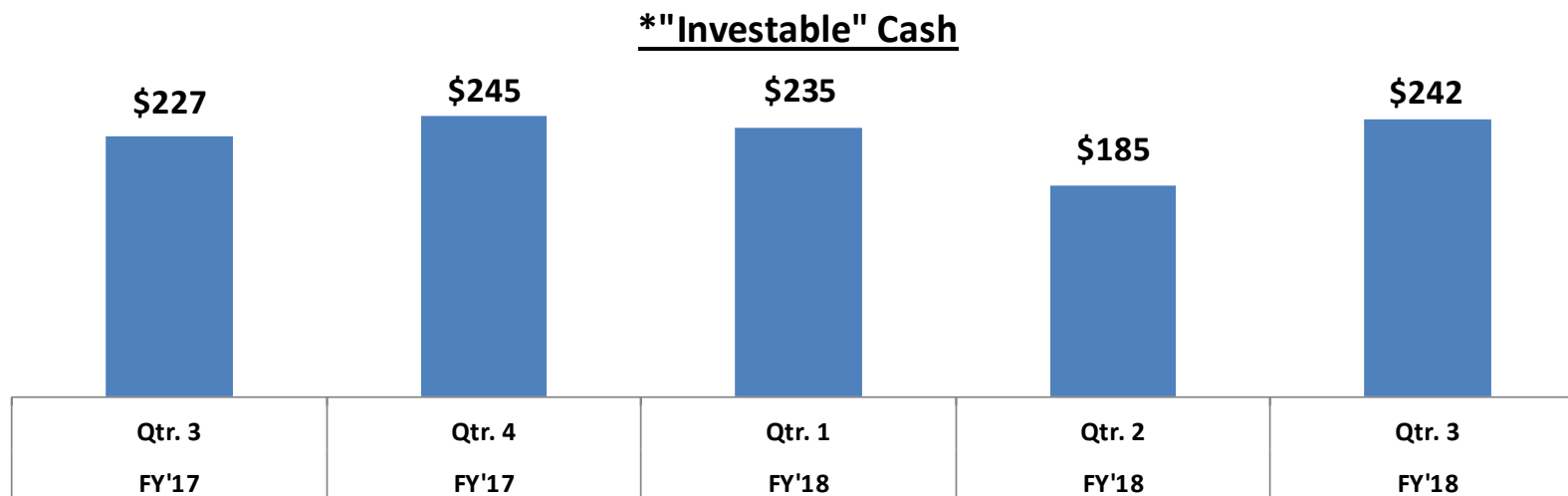
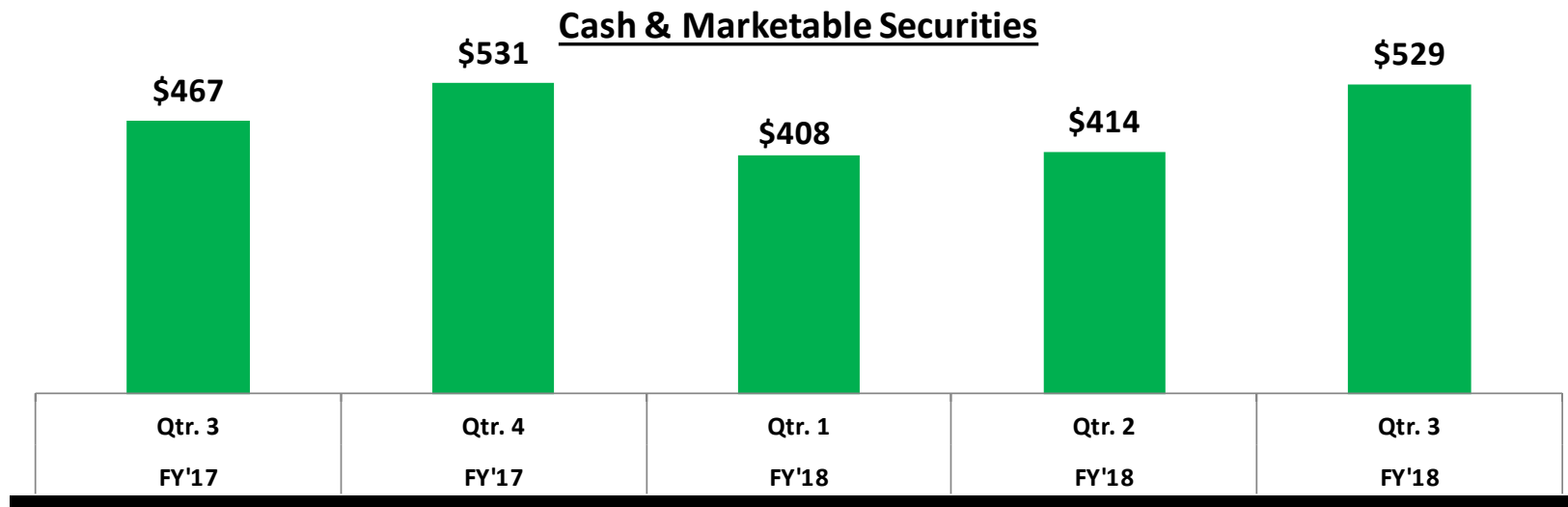


\* Excludes Restructuring and Management Separation Charges and Integration / Acquisition Costs



# Korn / Ferry

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



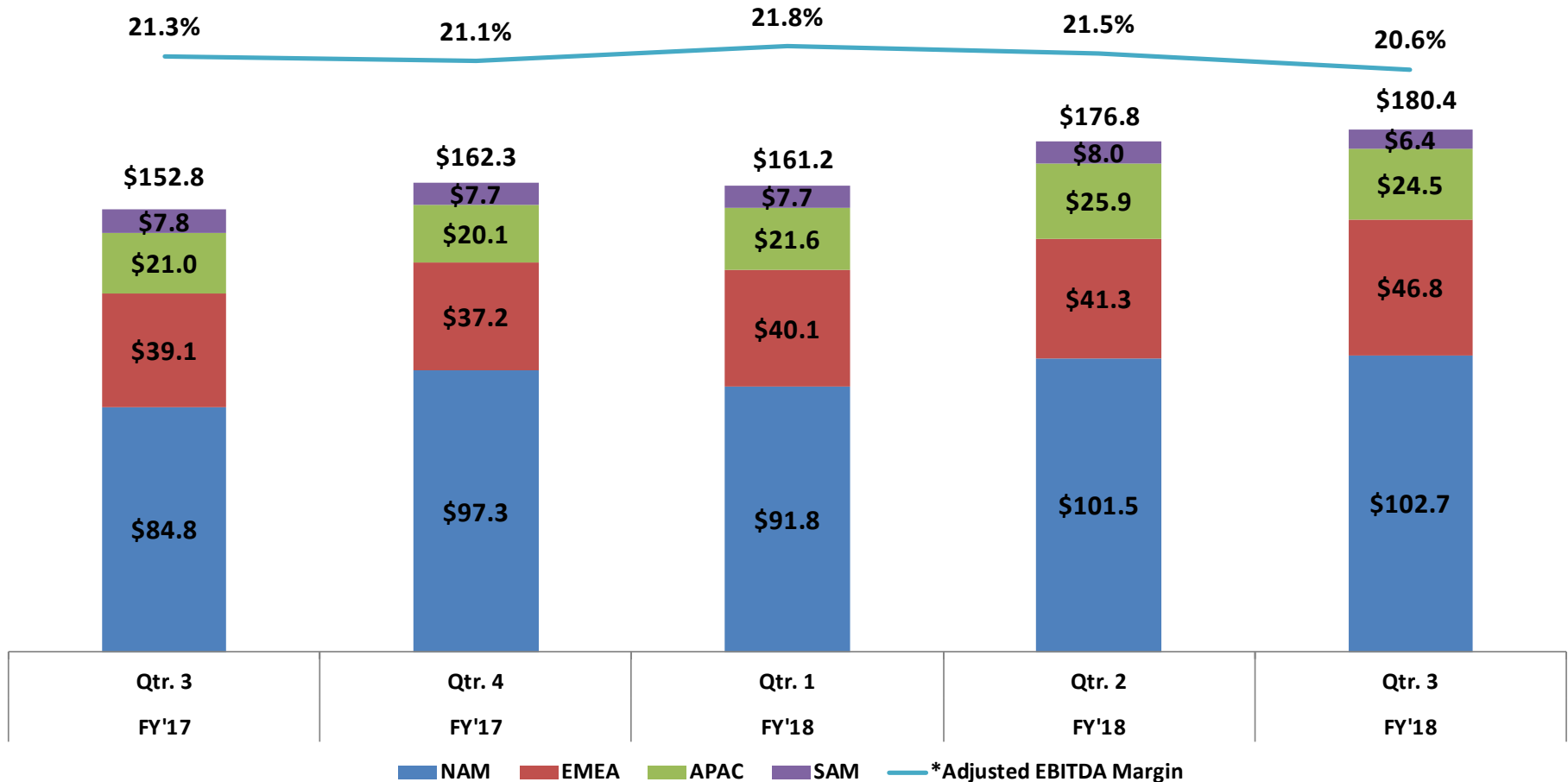
\*Cash & Marketable Securities Net of Cash & Marketable Securities Reserved for Deferred Compensation Arrangements and for Accrued Bonuses





# Executive Search

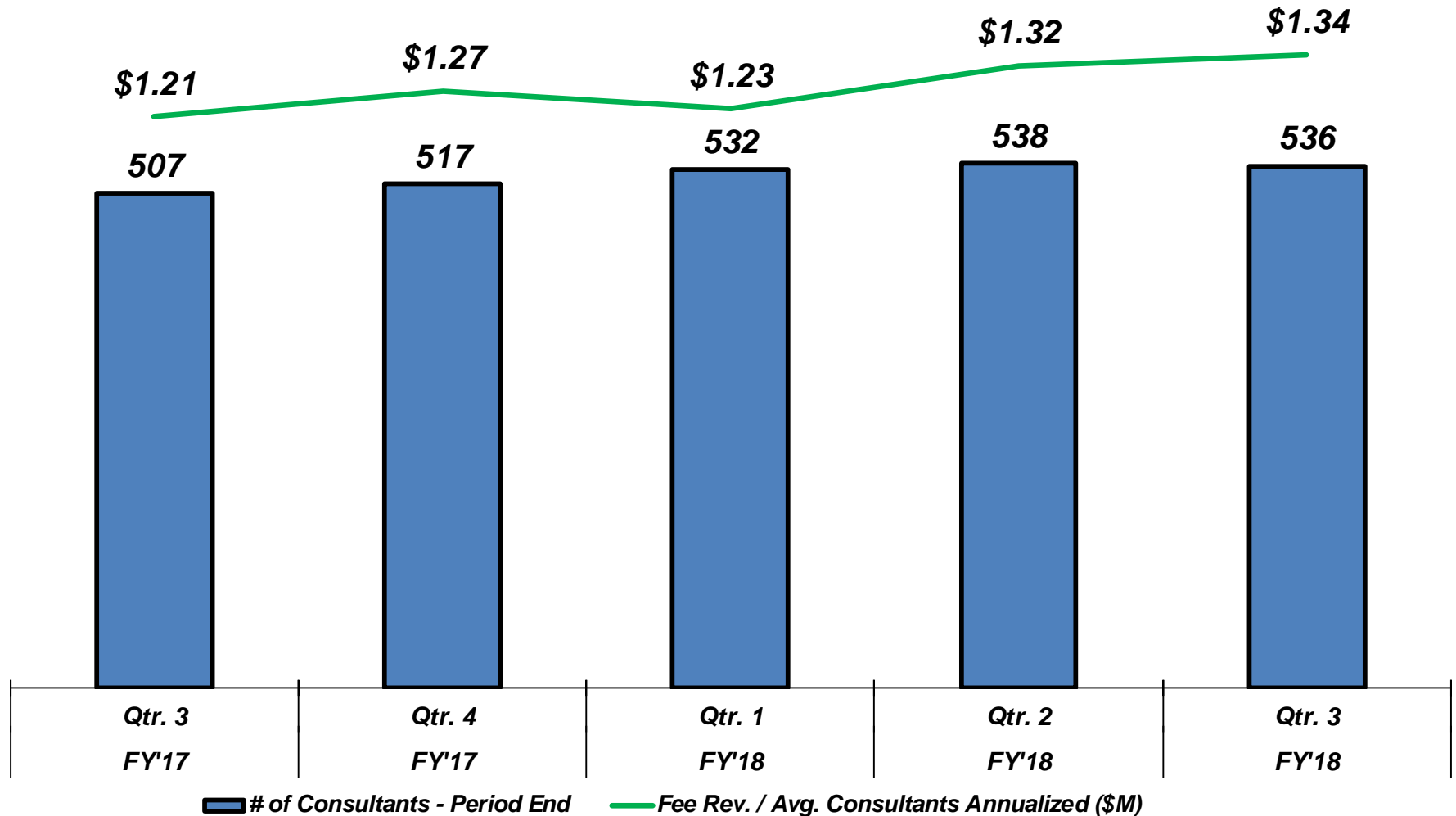
## Quarterly Trends – Fee Revenue (\$M) & \*Adjusted EBITDA Margin (Non-GAAP)



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

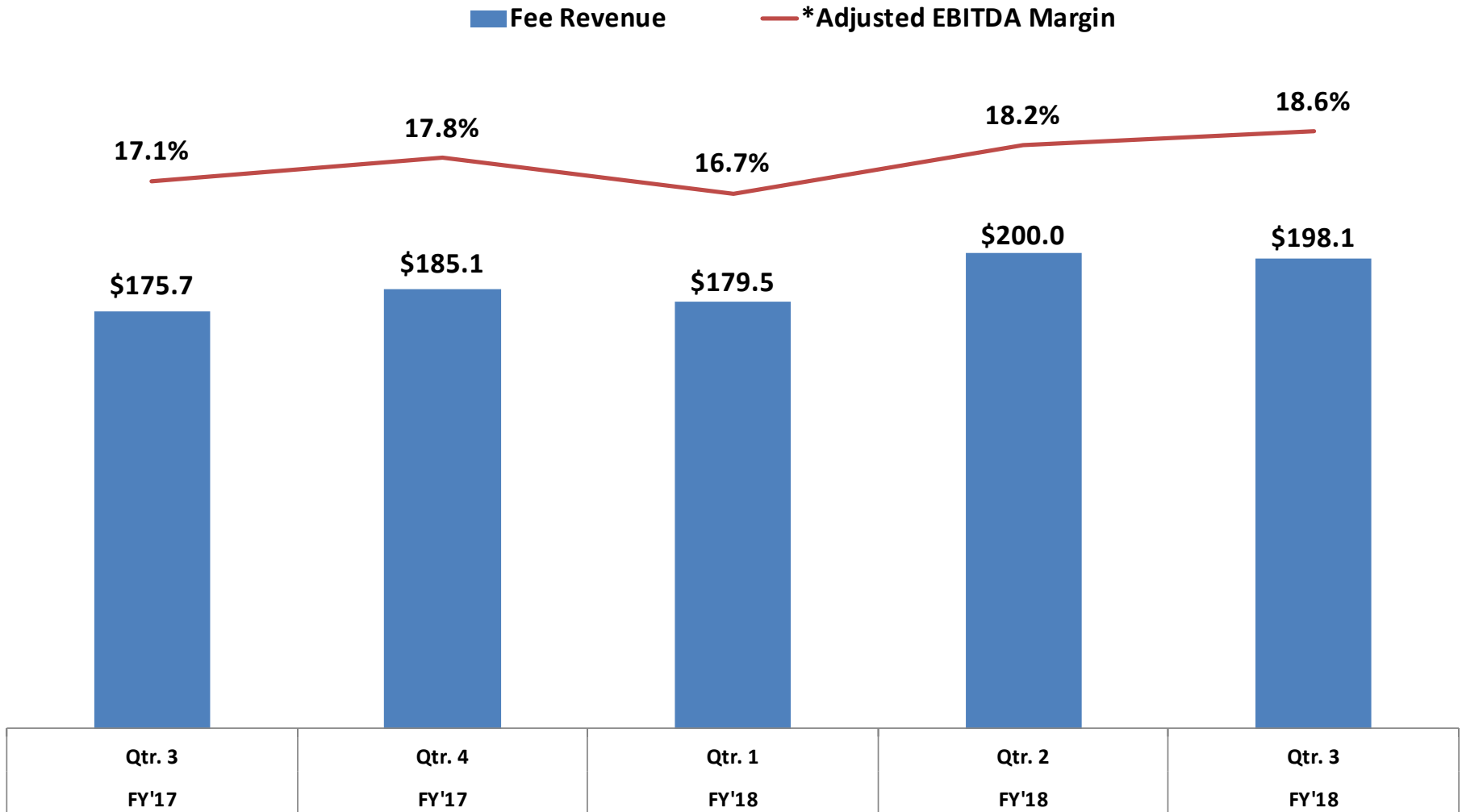


# Executive Search Consultants & Consultant Productivity



# Hay Group

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

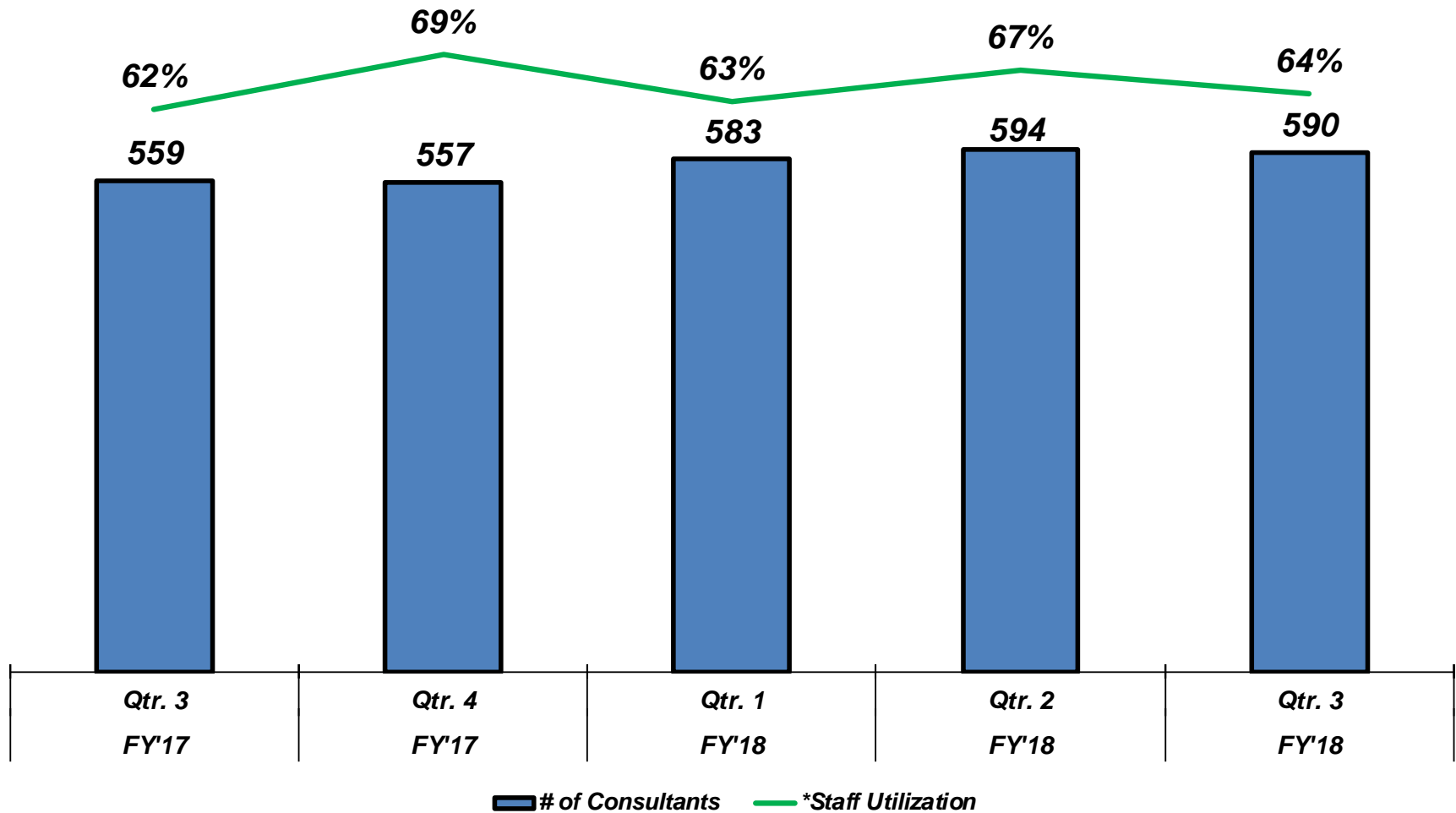


\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges, Management Separation Costs and Integration / Acquisition Costs



# Hay Group

## # of Consultants & Professional Staff Productivity

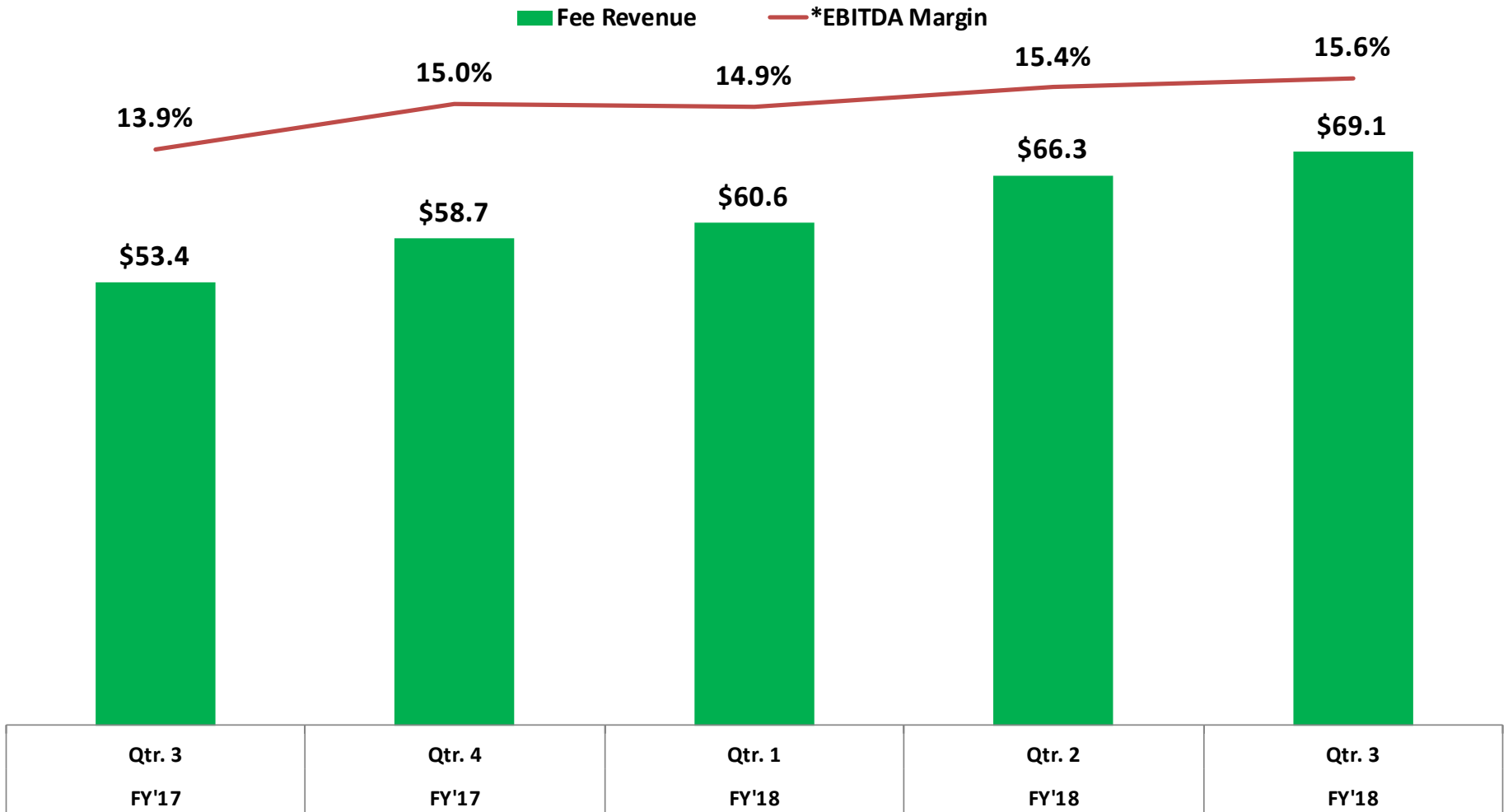


*\*Calculated By Dividing the Number of Hours of Full-Time Professional Staff, Who Recorded Time to an Engagement During the Period, By the Total Available Working Hours for the Professional Staff During the Same Period*



# 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  
March 6, 2018**

# Korn / Ferry

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

	FY'17 Qtr. 3	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3
Fee Revenue	\$381.9	\$406.1	\$401.3	\$443.0	\$447.6
Operating Income	30.5	32.8	40.7	51.2	48.6
Depreciation & Amortization	11.8	12.3	12.2	12.4	12.2
Other Income / (Loss) , Net	4.2	4.2	3.5	3.6	7.7
Equity in Earnings of Uncold. Subs., Net	0.1	0.1	-	0.1	0.1
<b>EBITDA</b>	<b>\$46.6</b>	<b>\$49.5</b>	<b>\$56.5</b>	<b>\$67.4</b>	<b>\$68.6</b>
Restructuring Chgs. / (Recoveries) - Net	3.8	6.3	0.3	(0.2)	-
Integration / Acquisition Costs	4.8	3.7	2.6	2.4	1.7
Separation Costs	-	0.6	-	-	-
<b>Adjusted EBITDA</b>	<b>\$55.3</b>	<b>\$60.1</b>	<b>\$59.4</b>	<b>\$69.6</b>	<b>\$70.3</b>
Operating Margin	8.0%	8.1%	10.2%	11.6%	10.9%
Depreciation & Amortization	3.1%	3.0%	3.0%	2.8%	2.7%
Other Income / (Loss) , Net	1.1%	1.1%	0.9%	0.8%	1.7%
Equity in Earnings of Uncold. Subs., Net	-	-	-	-	-
<b>EBITDA Margin</b>	<b>12.2%</b>	<b>12.2%</b>	<b>14.1%</b>	<b>15.2%</b>	<b>15.3%</b>
Restructuring Charges - Net	1.0%	1.5%	0.1%	-	-
Integration / Acquisition Costs	1.3%	0.9%	0.6%	0.5%	0.4%
Separation Costs	-	0.2%	-	-	-
<b>Adjusted EBITDA Margin</b>	<b>14.5%</b>	<b>14.8%</b>	<b>14.8%</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 Q3 to FY'18 Q3

	FY'17 Qtr. 3	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3
Net Income Attributable to Korn / Ferry	\$23.9	\$26.9	\$29.0	\$36.3	\$27.2
Restructuring Chgs. / (Recoveries) - Net	3.8	6.3	0.3	(0.2)	-
Integration / Acquisition Costs	4.8	3.7	2.6	2.4	1.7
Separation Costs	-	0.6	-	-	-
(1) Tax Effect of the Above Items	(2.4)	(2.4)	(0.7)	(0.7)	(0.3)
Tax Effect of New Tax Law	-	-	-	-	11.3
Adjusted Net Income Attributable to K/F	<u>\$30.1</u>	<u>\$35.2</u>	<u>\$31.2</u>	<u>\$37.8</u>	<u>\$39.9</u>
Diluted Earnings per Common Sh.	\$0.42	\$0.47	\$0.51	\$0.64	\$0.48
Restructuring Charges - Net	0.07	0.10	-	-	-
Integration / Acquisition Costs	0.08	0.07	0.05	0.04	0.03
Separation Costs	-	0.01	-	-	-
(1) Tax Effect on the Above Items	(0.04)	(0.03)	(0.01)	(0.01)	(0.01)
Tax Effect of New Tax Law	-	-	-	-	0.20
Adjusted Diluted Earnings per Sh.	<u>\$0.53</u>	<u>\$0.62</u>	<u>\$0.55</u>	<u>\$0.67</u>	<u>\$0.70</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 Q3 to FY'18 Q2

	FY'17 Q3					FY'17 Q4					FY'18 Q1					FY'18 Q2				
	Exec.					Exec.					Exec.					Exec.				
	Recruitment	Hay Group	F/S	Corp.	KFI	Recruitment	Hay Group	F/S	Corp.	KFI	Recruitment	Hay Group	F/S	Corp.	KFI	Recruitment	Hay Group	F/S	Corp.	KFI
Fee Revenue	\$152.8	\$175.7	\$53.4	-	\$381.9	\$162.3	\$185.1	\$58.7	-	\$406.1	\$161.2	\$179.5	\$60.6	-	\$401.3	\$176.8	\$200.0	\$66.3	-	\$443.0
Net Income	-	-	-	-	23.9	-	-	-	-	26.9	-	-	-	-	29.0	-	-	-	-	36.3
Net Income Attributable to Noncontrolling Interest	-	-	-	-	0.5	-	-	-	-	0.8	-	-	-	-	0.4	-	-	-	-	0.4
Oth. (Incm.) / Loss- Net	-	-	-	-	(4.2)	-	-	-	-	(4.2)	-	-	-	-	(3.5)	-	-	-	-	(3.6)
Interest Exps. - Net	-	-	-	-	2.4	-	-	-	-	2.1	-	-	-	-	2.7	-	-	-	-	2.6
Equity in Earnings of Uncond. Sub.	-	-	-	-	(0.1)	-	-	-	-	(0.1)	-	-	-	-	-	-	-	-	-	(0.1)
Income Tax Exps.	-	-	-	-	8.1	-	-	-	-	7.4	-	-	-	-	12.2	-	-	-	-	15.6
Oper. Incm. / (Loss)	\$29.3	\$16.0	\$6.5	(\$21.3)	\$30.5	\$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
Margin (%)	19.2%	9.1%	12.3%	-	8.0%	18.8%	8.7%	13.9%	-	8.1%	20.4%	10.6%	13.6%	-	10.2%	19.9%	13.2%	14.2%	-	11.6%
Deprec. & Amortiz.	1.5	8.1	0.8	1.5	11.8	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
Oth. Incm. / (Loss) - Net	0.5	0.1	-	3.6	4.2	1.0	-	(0.1)	3.3	4.2	0.5	-	-	3.0	3.5	0.5	0.1	-	3.1	3.6
Equity in Earnings of Uncons. Sub.	-	-	-	-	-	0.1	-	-	-	0.1	-	-	-	-	-	0.1	-	-	-	0.1
EBITDA	\$31.4	\$24.2	\$7.3	(\$16.2)	\$46.6	\$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
Margin (%)	20.5%	13.8%	13.7%	-	12.2%	20.7%	13.1%	15.0%	-	12.2%	21.8%	15.2%	14.9%	-	14.1%	21.3%	17.3%	15.4%	-	15.2%
Restructuring Chgs.	\$1.2	\$2.5	\$0.1	-	\$3.8	\$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	-	3.4	-	1.4	4.8	-	2.4	-	1.3	3.7	-	2.5	-	0.1	2.6	-	2.3	-	0.1	2.4
Adjusted EBITDA	\$32.6	\$30.1	\$7.4	(\$14.8)	\$55.3	\$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
Margin (%)	21.3%	17.1%	13.9%	-	14.5%	21.1%	17.8%	15.0%	-	14.8%	21.8%	16.7%	14.9%	-	14.8%	21.5%	18.2%	15.4%	-	15.7%



# Korn / Ferry

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

	FY'18 Q3				
	Exec. Recruitment	Hay Group	F/S	Corp.	KFI
Fee Revenue	\$180.4	\$198.1	\$69.1	-	\$447.6
Net Income	-	-	-	-	27.2
Net Income Attributable to Noncontrolling Interest	-	-	-	-	0.2
Oth. (Incm.) / Loss- Net	-	-	-	-	(7.7)
Interest Exps. - Net	-	-	-	-	2.7
Equity in Earnings of Uncold. Sub.	-	-	-	-	(0.1)
Income Tax Exps.	-	-	-	-	26.3
<b>Oper. Incm. / (Loss)</b>	<b>\$34.3</b>	<b>\$27.1</b>	<b>\$10.1</b>	<b>(\$22.9)</b>	<b>\$48.6</b>
<i>Margin (%)</i>	<i>19.0%</i>	<i>13.7%</i>	<i>14.6%</i>	-	<i>10.9%</i>
Deprec. & Amortiz.	1.9	7.9	0.7	1.7	12.2
Oth. Incm. / (Loss) - Net	0.8	0.4	-	6.5	7.7
Equity in Earnings of Uncons. Sub.	0.1	-	-	-	0.1
<b>EBITDA</b>	<b>\$37.2</b>	<b>\$35.3</b>	<b>\$10.8</b>	<b>(\$14.7)</b>	<b>\$68.6</b>
<i>Margin (%)</i>	<i>20.6%</i>	<i>17.8%</i>	<i>15.6%</i>	-	<i>15.3%</i>
Restructuring Chgs.	-	-	-	-	-
Separation Costs	-	-	-	-	-
Integ. / Acq. Costs	-	1.6	-	0.1	1.7
<b>Adjusted EBITDA</b>	<b>\$37.2</b>	<b>\$36.9</b>	<b>\$10.8</b>	<b>(\$14.6)</b>	<b>\$70.3</b>
<i>Margin (%)</i>	<i>20.6%</i>	<i>18.6%</i>	<i>15.6%</i>	-	<i>15.7%</i>



# Korn / Ferry

Reconciliation of Compensation & Benefits Expense (GAAP) to Adjusted Compensation & Benefits Expense (Non-GAAP) (\$M)  
 FY'17 Q3 to FY'18 Q3

	FY'17 Qtr. 3	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3
Fee Revenue	\$381.9	\$406.1	\$401.3	\$443.0	\$447.6

	FY'17 Qtr. 3	FY'17 Qtr. 4	FY'18 Qtr. 1	FY'18 Qtr. 2	FY'18 Qtr. 3
Compensations & Benefits	\$262.4	\$275.5	\$274.0	\$301.0	\$310.8
Integration / Acquisition Costs	(4.3)	(3.5)	(2.6)	(2.4)	(1.7)
Separation Costs	-	(0.6)	-	-	-
Adjusted Comp. & Benfts. Exps.	\$258.2	\$271.3	\$271.4	\$298.6	\$309.1
Comp. & Benfts. (as % of Fee Rev.)	68.7%	67.8%	68.3%	68.0%	69.4%
Integration / Acquisition Costs	(1.1%)	(1.0%)	(0.6%)	(0.5%)	(0.4%)
Separation Costs	-	-	-	-	-
Adjusted Comp. & Benfts. Exps. (as a % of Adj. Fee Rev.)	67.6%	66.8%	67.6%	67.4%	69.1%



# Korn / Ferry

## Reconciliation of Cash & Marketable Securities Balance to “Investable Cash” Balance (\$M) FY'17 Q3 to FY'18 Q3

	<u>FY'17 Qtr. 3</u>	<u>FY'17 Qtr. 4</u>	<u>FY'18 Qtr. 1</u>	<u>FY'18 Qtr. 2</u>	<u>FY'18 Qtr. 3</u>
Cash	\$351.3	\$410.9	\$282.0	\$282.6	\$390.0
Marketable Securities	115.4	119.9	126.3	131.2	139.0
Cash & Marketable Securities	<u>\$466.7</u>	<u>\$530.8</u>	<u>\$408.3</u>	<u>\$413.9</u>	<u>\$529.0</u>
ECAP & Bonus Liability	(240.2)	(285.8)	(173.2)	(229.0)	(286.9)
Investable Cash	<u>\$226.5</u>	<u>\$245.0</u>	<u>\$235.1</u>	<u>\$184.9</u>	<u>\$242.1</u>





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