



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 January 31, 2020

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number 001-14505

KORN FERRY

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

95-2623879
(I.R.S. Employer Identification No.)

1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067
(Address of principal executive offices) (Zip Code)

(310) 552-1834
(Registrant's telephone number, including area code)

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

Table with 3 columns: Title of Each Class, Trading Symbol(s), Name of Each Exchange on Which Registered. Row 1: Common Stock, par value \$0.01 per share, KFY, New York Stock Exchange

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

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

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

- Large accelerated filer [x] Accelerated filer []
Non-accelerated filer [] Smaller reporting company []
Emerging growth company []

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

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

The number of shares outstanding of our common stock as of March 5, 2020 was 55,044,489 shares.



KORN FERRY

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Item 1. Consolidated Financial Statements

KORN FERRY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	January 31, 2020	April 30, 2019
	(unaudited)	
	(in thousands, except per share data)	
ASSETS		
Cash and cash equivalents	\$ 563,708	\$ 626,360
Marketable securities	41,022	8,288
Receivables due from clients, net of allowance for doubtful accounts of \$25,168 and \$21,582 at January 31, 2020 and April 30, 2019, respectively	472,261	404,857
Income taxes and other receivables	38,656	26,767
Unearned compensation	46,386	42,003
Prepaid expenses and other assets	35,094	28,535
Total current assets	<u>1,197,127</u>	<u>1,136,810</u>
Marketable securities, non-current	143,789	132,463
Property and equipment, net	143,230	131,505
Operating lease right-of-use assets, net	209,236	—
Cash surrender value of company-owned life insurance policies, net of loans	145,305	126,000
Deferred income taxes	44,928	43,220
Goodwill	615,513	578,298
Intangible assets, net	116,882	82,948
Unearned compensation, non-current	93,934	80,924
Investments and other assets	29,705	22,684
Total assets	<u>\$ 2,739,649</u>	<u>\$ 2,334,852</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 36,044	\$ 39,156
Income taxes payable	17,128	21,145
Compensation and benefits payable	258,789	328,610
Operating lease liability, current	53,592	—
Other accrued liabilities	194,838	162,047
Total current liabilities	<u>560,391</u>	<u>550,958</u>
Deferred compensation and other retirement plans	283,293	257,635
Operating lease liability, non-current	194,209	—
Long-term debt	393,986	222,878
Deferred tax liabilities	837	1,103
Other liabilities	29,280	58,891
Total liabilities	<u>1,461,996</u>	<u>1,091,465</u>
Stockholders' equity		
Common stock: \$0.01 par value, 150,000 shares authorized, 73,210 and 72,442 shares issued and 55,258 and 56,431 shares outstanding at January 31, 2020 and April 30, 2019, respectively	604,609	656,463
Retained earnings	749,301	660,845
Accumulated other comprehensive loss, net	(78,810)	(76,652)
Total Korn Ferry stockholders' equity	<u>1,275,100</u>	<u>1,240,656</u>
Noncontrolling interest	2,553	2,731
Total stockholders' equity	<u>1,277,653</u>	<u>1,243,387</u>
Total liabilities and stockholders' equity	<u>\$ 2,739,649</u>	<u>\$ 2,334,852</u>

The accompanying notes are an integral part of these consolidated financial statements.



KORN FERRY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
Fee revenue	\$ 515,325	\$ 474,504	\$ 1,492,263	\$ 1,435,277
Reimbursed out-of-pocket engagement expenses	12,654	11,668	36,091	36,050
Total revenue	<u>527,979</u>	<u>486,172</u>	<u>1,528,354</u>	<u>1,471,327</u>
Compensation and benefits	348,597	321,835	1,014,475	979,575
General and administrative expenses	71,355	61,179	199,171	287,641
Reimbursed expenses	12,654	11,668	36,091	36,050
Cost of services	30,822	17,066	66,371	55,020
Depreciation and amortization	14,863	11,741	40,355	34,490
Restructuring charges, net	18,093	—	18,093	—
Total operating expenses	<u>496,384</u>	<u>423,489</u>	<u>1,374,556</u>	<u>1,392,776</u>
Operating income	31,595	62,683	153,798	78,551
Other income, net	5,055	2,463	8,014	2,483
Interest expense, net	(6,919)	(4,282)	(15,186)	(12,722)
Income before provision for income taxes	29,731	60,864	146,626	68,312
Income tax provision	8,775	15,420	38,988	14,143
Net income	20,956	45,444	107,638	54,169
Net income attributable to noncontrolling interest	(963)	(480)	(1,890)	(1,782)
Net income attributable to Korn Ferry	<u>\$ 19,993</u>	<u>\$ 44,964</u>	<u>\$ 105,748</u>	<u>\$ 52,387</u>
Earnings per common share attributable to Korn Ferry:				
Basic	<u>\$ 0.37</u>	<u>\$ 0.81</u>	<u>\$ 1.92</u>	<u>\$ 0.94</u>
Diluted	<u>\$ 0.36</u>	<u>\$ 0.80</u>	<u>\$ 1.90</u>	<u>\$ 0.92</u>
Weighted-average common shares outstanding:				
Basic	<u>53,999</u>	<u>55,233</u>	<u>54,611</u>	<u>55,358</u>
Diluted	<u>54,264</u>	<u>55,753</u>	<u>55,006</u>	<u>56,181</u>
Cash dividends declared per share:	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>

The accompanying notes are an integral part of these consolidated financial statements.



KORN FERRY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2020	2019	2020	2019
	(in thousands)			
Net income	\$ 20,956	\$ 45,444	\$ 107,638	\$ 54,169
Other comprehensive income (loss):				
Foreign currency translation adjustments	497	6,089	(3,588)	(21,245)
Deferred compensation and pension plan adjustments, net of tax	943	273	1,933	819
Net unrealized loss on marketable securities, net of tax	(5)	—	(5)	—
Net unrealized gain (loss) on interest rate swap, net of tax	495	(980)	(456)	(702)
Comprehensive income	22,886	50,826	105,522	33,041
Less: comprehensive income attributable to noncontrolling interest	(1,057)	(552)	(1,932)	(1,593)
Comprehensive income attributable to Korn Ferry	<u>\$ 21,829</u>	<u>\$ 50,274</u>	<u>\$ 103,590</u>	<u>\$ 31,448</u>

The accompanying notes are an integral part of these consolidated financial statements.



KORN FERRY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net	Total Korn Ferry Stockholders' Equity	Noncontrolling Interest	Total Stockholder's Equity
	Shares	Amount					
	(in thousands)						
Balance as of April 30, 2019	56,431	\$ 656,463	\$ 660,845	\$ (76,652)	\$ 1,240,656	\$ 2,731	\$ 1,243,387
Net income	—	—	42,951	—	42,951	699	43,650
Other comprehensive (loss) income	—	—	—	(5,462)	(5,462)	64	(5,398)
Dividends paid to shareholders	—	—	(6,081)	—	(6,081)	—	(6,081)
Purchase of stock	(546)	(21,329)	—	—	(21,329)	—	(21,329)
Issuance of stock	711	5,074	—	—	5,074	—	5,074
Stock-based compensation	—	5,091	—	—	5,091	—	5,091
Balance as of July 31, 2019	56,596	645,299	697,715	(82,114)	1,260,900	3,494	1,264,394
Net income	—	—	42,804	—	42,804	228	43,032
Other comprehensive income (loss)	—	—	—	1,468	1,468	(116)	1,352
Dividends paid to shareholders	—	—	(5,628)	—	(5,628)	—	(5,628)
Dividends paid to noncontrolling interest	—	—	—	—	—	(1,046)	(1,046)
Purchase of stock	(1,313)	(49,325)	—	—	(49,325)	—	(49,325)
Issuance of stock	32	—	—	—	—	—	—
Stock-based compensation	—	5,712	—	—	5,712	—	5,712
Balance as of October 31, 2019	55,315	601,686	734,891	(80,646)	1,255,931	2,560	1,258,491
Net income	—	—	19,993	—	19,993	963	20,956
Other comprehensive income	—	—	—	1,836	1,836	94	1,930
Dividends paid to shareholders	—	—	(5,583)	—	(5,583)	—	(5,583)
Dividends paid to noncontrolling interest	—	—	—	—	—	(1,064)	(1,064)
Purchase of stock	(157)	(6,263)	—	—	(6,263)	—	(6,263)
Issuance of stock	100	3,967	—	—	3,967	—	3,967
Stock-based compensation	—	5,219	—	—	5,219	—	5,219
Balance as of January 31, 2020	55,258	\$ 604,609	\$ 749,301	\$ (78,810)	\$ 1,275,100	\$ 2,553	\$ 1,277,653



KORN FERRY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
(unaudited)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net	Total Korn Ferry Stockholders' Equity	Noncontrolling Interest	Total Stockholder's Equity
	Shares	Amount		(in thousands)			
Balance as of April 30, 2018	56,517	\$ 683,942	\$ 572,800	\$ (40,135)	\$ 1,216,607	\$ 3,008	\$ 1,219,615
Net loss	—	—	(38,611)	—	(38,611)	19	(38,592)
Other comprehensive (loss) income	—	—	—	(14,156)	(14,156)	6	(14,150)
Effect of adopting new accounting standards	—	—	8,853	(2,197)	6,656	—	6,656
Dividends paid to shareholders	—	—	(6,027)	—	(6,027)	—	(6,027)
Purchase of stock	(200)	(13,054)	—	—	(13,054)	—	(13,054)
Issuance of stock	621	4,803	—	—	4,803	—	4,803
Stock-based compensation	—	5,369	—	—	5,369	—	5,369
Balance as of July 31, 2018	56,938	681,060	537,015	(56,488)	1,161,587	3,033	1,164,620
Net income	—	—	46,034	—	46,034	1,283	47,317
Other comprehensive loss	—	—	—	(12,093)	(12,093)	(267)	(12,360)
Dividends paid to shareholders	—	—	(5,716)	—	(5,716)	—	(5,716)
Dividends paid to noncontrolling interest	—	—	—	—	—	(690)	(690)
Purchase of stock	(459)	(22,875)	—	—	(22,875)	—	(22,875)
Issuance of stock	32	—	—	—	—	—	—
Stock-based compensation	—	6,301	—	—	6,301	—	6,301
Balance as of October 31, 2018	56,511	664,486	577,333	(68,581)	1,173,238	3,359	1,176,597
Net income	—	—	44,964	—	44,964	480	45,444
Other comprehensive income	—	—	—	5,310	5,310	72	5,382
Dividends paid to shareholders	—	—	(6,015)	—	(6,015)	—	(6,015)
Dividends paid to noncontrolling interest	—	—	—	—	—	(1,565)	(1,565)
Purchase of stock	(503)	(21,940)	—	—	(21,940)	—	(21,940)
Issuance of stock	412	3,724	—	—	3,724	—	3,724
Stock-based compensation	—	5,413	—	—	5,413	—	5,413
Balance as of January 31, 2019	56,420	\$ 651,683	\$ 616,282	\$ (63,271)	\$ 1,204,694	\$ 2,346	\$ 1,207,040

The accompanying notes are an integral part of these consolidated financial statements



KORN FERRY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	January 31,	
	2020	2019
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 107,638	\$ 54,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,355	34,490
Stock-based compensation expense	16,988	18,028
Tradename write-offs	—	106,555
Write-off of long-lived assets	2,654	—
Provision for doubtful accounts	10,958	11,012
Gain on cash surrender value of life insurance policies	(5,794)	(4,547)
Gain on marketable securities	(8,341)	(1,330)
Deferred income taxes	(1,974)	(23,192)
Change in other assets and liabilities:		
Deferred compensation	26,646	5,486
Receivables due from clients	(37,258)	(44,332)
Income taxes and other receivables	(6,424)	(1,142)
Prepaid expenses and other assets	(9,191)	(479)
Unearned compensation	(17,393)	(15,097)
Income taxes payable	(1,444)	(532)
Accounts payable and accrued liabilities	(59,911)	(33,076)
Other	(372)	(5,056)
Net cash provided by operating activities	<u>57,137</u>	<u>100,957</u>
Cash flows from investing activities:		
Purchase of property and equipment	(33,753)	(36,886)
Purchase of marketable securities	(39,081)	(8,672)
Proceeds from sales/maturities of marketable securities	3,245	13,557
Cash paid for acquisitions, net of cash acquired	(108,602)	—
Premium on company-owned life insurance policies	(15,448)	(34,612)
Proceeds from life insurance policies	2,280	6,972
Dividends received from unconsolidated subsidiaries	286	140
Net cash used in investing activities	<u>(191,073)</u>	<u>(59,501)</u>
Cash flows from financing activities:		
Proceeds from long term debt	445,500	226,875
Principal payments on long term debt	(276,875)	(238,906)
Payment of debt issuance costs	(3,050)	(2,181)
Repurchases of common stock	(68,055)	(37,372)
Payments of tax withholdings on restricted stock	(8,862)	(20,497)
Proceeds from issuance of common stock upon exercise of employee stock options and in connection with an employee stock purchase plan	7,684	7,271
Borrowings under life insurance policies	—	31,870
Payments on life insurance policy loans	(943)	(4,351)
Principal payments on finance leases	(1,426)	—
Dividends paid to shareholders	(17,292)	(17,758)
Dividends - noncontrolling interest	(2,110)	(2,255)
Payment of contingent consideration from acquisitions	(455)	(455)
Net cash provided by (used in) financing activities	<u>74,116</u>	<u>(57,759)</u>
Effect of exchange rate changes on cash and cash equivalents	(2,832)	(15,036)
Net decrease in cash and cash equivalents	(62,652)	(31,339)
Cash and cash equivalents at beginning of period	626,360	520,848
Cash and cash equivalents at end of the period	<u>\$ 563,708</u>	<u>\$ 489,509</u>

The accompanying notes are an integral part of these consolidated financial statements.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020

1. Organization and Summary of Significant Accounting Policies

Nature of Business

Korn Ferry, a Delaware corporation (the "Company"), and its subsidiaries is a global organizational consulting firm. The Company helps clients synchronize strategy and talent to drive superior performance. The Company works with organizations to design their structures, roles, and responsibilities. The Company helps organizations hire the right people to bring their strategy to life and advise them on how to reward, develop, and motivate their people.

The Company is pursuing a strategy that will help Korn Ferry to focus on clients and collaborate intensively across the organization. This approach builds on the best of our past and gives the Company a clear path to the future with focused initiatives to increase our client and commercial impact. Korn Ferry is transforming how clients address their talent management needs. The Company has evolved from a mono-line to a diversified business, giving our consultants more frequent and expanded opportunities to engage with clients.

The Company operates through four global segments:

1. **Consulting** helps clients synchronize their strategy and their talent by addressing four fundamental needs: Organizational Strategy, Assessment and Succession, Leadership Development, and Rewards and Benefits. This is supported and underpinned by a comprehensive range of some of the world's leading intellectual property ("IP") and data.
2. **Digital** is an integrated platform that gives clients direct access to people and organizational data, insights, analytics and digital assets. It is comprised of individual products that when used together, give clients a common language for all talent matters.
3. **Executive Search** helps organizations recruit board level, chief executive and other senior executive and general management talent. Behavioral interviewing and proprietary assessments are used to determine ideal organizational fit, and salary benchmarking builds appropriate frameworks for compensation and retention.
4. **RPO and Professional Search** combines people, process expertise and IP-enabled technology to deliver enterprise talent acquisition solutions to clients. Transaction sizes range from single professional searches to team, department and line of business projects, and global outsource recruiting solutions.

The combination of Consulting and Digital were formerly referred to as Korn Ferry Advisory ("Advisory").

Basis of Consolidation and Presentation

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended April 30, 2019 for the Company and its wholly and majority owned/controlled domestic and international subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The preparation of the consolidated financial statements conform with United States ("U.S.") generally accepted accounting principles ("GAAP") and prevailing practice within the industry. The consolidated financial statements include all adjustments, consisting of normal recurring accruals and any other adjustments that management considers necessary for a fair presentation of the results for these periods. The results of operations for the interim period are not necessarily indicative of the results for the entire fiscal year.

Investments in affiliated companies, which are 50% or less owned and where the Company exercises significant influence over operations, are accounted for using the equity method.

The Company has control of a Mexican subsidiary and consolidates the operations of this subsidiary. Noncontrolling interest, which represents the Mexican partners' 51% interest in the Mexican subsidiary, is reflected on the Company's consolidated financial statements.

The Company considers events or transactions that occur after the balance sheet date but before the consolidated financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020 (continued)

Use of Estimates and Uncertainties

The preparation of the consolidated financial statements in conformity with 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates, and changes in estimates are reported in current operations as new information is learned or upon the amounts becoming fixed or determinable. The most significant areas that require management's judgment are revenue recognition, deferred compensation, annual performance-related bonuses, evaluation of the carrying value of receivables, goodwill and other intangible assets, share-based payments, leases, and the recoverability of deferred income taxes.

Revenue Recognition

Substantially all fee revenue is derived from talent and organizational consulting services and the digital sales, fees for professional services related to executive and professional recruitment performed on a retained basis and RPO, either stand-alone or as part of a solution.

Revenue is recognized when control of the goods and services are transferred to the customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods and services. Revenue contracts with customers are evaluated based on the five-step model outlined in Accounting Standard Codification 606 ("ASC 606"): 1) identify the contract with a customer; 2) identify the performance obligation(s) in the contract; 3) determine the transaction price; 4) allocate the transaction price to the separate performance obligation(s); and 5) recognize revenue when (or as) each performance obligation is satisfied.

Consulting fee revenue is primarily recognized as services are rendered, measured by total hours incurred to the total estimated hours at completion. It is possible that updated estimates for consulting engagements may vary from initial estimates with such updates being recognized in the period of determination. Depending on the timing of billings and services rendered, the Company accrues or defers revenue as appropriate.

Digital revenue is generated from IP platforms enabling large-scale, technology-based talent programs for pay, talent development, engagement, and assessment and is consumed directly by an end user or indirectly through a consulting engagement. Revenue is recognized as services are delivered and the Company has a legally enforceable right to payment. Revenue also comes from the sale of our proprietary IP subscriptions, which are considered symbolic IP due to the dynamic nature of the content. As a result, revenue is recognized over the term of the contract. Functional IP licenses grant customers the right to use IP content via the delivery of a flat file. Because the IP content license has significant stand-alone functionality, revenue is recognized upon delivery and when an enforceable right to payment exists. Revenue for tangible and digital products sold by the Company, such as books and digital files, is recognized when these products are sold or shipped.

Fee revenue from executive and professional search activities is generally one-third of the estimated first-year cash compensation of the placed candidate, plus a percentage of the fee to cover indirect engagement-related expenses. In addition to the search retainer, an uptick fee is billed when the actual compensation awarded by the client for a placement is higher than the estimated compensation. In the aggregate, upticks have been a relatively consistent percentage of the original estimated fee; therefore, the Company estimates upticks using the expected value method based on historical data on a portfolio basis. In a standard search engagement, there is one performance obligation, which is the promise to undertake a search. The Company generally recognizes such revenue over the course of a search and when it is legally entitled to payment as outlined in the billing terms of the contract. Any revenues associated with services that are provided on a contingent basis are recognized once the contingency is resolved, as this is when control is transferred to the customer. These assumptions determine the timing of revenue recognition for the reported period.

RPO fee revenue is generated through two distinct phases: 1) the implementation phase and 2) the post-implementation recruitment phase. The fees associated with the implementation phase are recognized over the period that the related implementation services are provided. The post-implementation recruitment phase represents end-to-end recruiting services to clients for which there are both fixed and variable fees, which are recognized over the period that the related recruiting services are performed.

Reimbursements

The Company incurs certain out-of-pocket expenses that are reimbursed by its clients, which are accounted for as revenue in the consolidated statements of income.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020 (continued)

Allowance for Doubtful Accounts

An allowance is established for doubtful accounts by taking a charge to general and administrative expenses. The amount of the allowance is based on historical loss experience and assessment of the collectability of specific accounts, as well as expectations of future collections based upon trends and the type of work for which services are rendered. After the Company exhausts all collection efforts, the amount of the allowance is reduced for balances identified as uncollectible.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. As of January 31, 2020, the Company's investments in cash equivalents consisted of money market funds, commercial papers and corporate notes/bonds with maturity of less than 90 days for which market prices are readily available. As of April 30, 2019, cash equivalents consisted of money market funds.

Marketable Securities

The Company currently has investments in marketable securities and mutual funds that are classified as either trading securities or available-for-sale, based upon management's intent and ability to hold, sell or trade such securities. The classification of the investments in these marketable securities and mutual funds is assessed upon purchase and reassessed at each reporting period. These investments are recorded at fair value and are classified as marketable securities in the accompanying consolidated balance sheets. The investments that the Company may sell within the next twelve months are carried as current assets.

The Company invests in mutual funds (for which market prices are readily available) that are held in trust to satisfy obligations under the Company's deferred compensation plans. Such investments are classified as trading securities based upon the employees' investment elections in their deemed accounts in the Executive Capital Accumulation Plan and similar plans in Asia Pacific and Canada ("ECAP") from a pre-determined set of securities, and the Company invests in marketable securities to mirror these elections. Realized gains (losses) on marketable securities are determined by specific identification. Interest is recognized on an accrual basis; dividends are recorded as earned on the ex-dividend date. Interest, dividend income and the changes in fair value in marketable securities are recorded in the accompanying consolidated statements of income in other income, net.

The Company also invests cash in excess of its daily operating requirements and capital needs primarily in marketable fixed income (debt) securities in accordance with the Company's investment policy, which restricts the type of investments that can be made. The Company's investment portfolio includes commercial paper and corporate notes/bonds. These marketable fixed income (debt) securities are classified as available-for-sale securities based on management's decision, at the date such securities are acquired, not to hold these securities to maturity or actively trade them. The Company carries these marketable debt securities at fair value based on the market prices for these marketable debt securities or similar debt securities whose prices are readily available. The changes in fair values, net of applicable taxes, are recorded as unrealized gains or losses as a component of comprehensive income. When, in the opinion of management, a decline in the fair value of an investment below its amortized cost is considered to be "other-than-temporary," a credit loss is recorded in the statement of income in other income, net; any amount in excess of the credit loss is recorded as unrealized gains or losses as a component of comprehensive income. Generally, the amount of the loss is the difference between the cost or amortized cost and its then current fair value; a credit loss is the difference between the discounted expected future cash flows to be collected from the debt security and the cost or amortized cost of the debt security. The determination of the other-than-temporary decline includes, in addition to other relevant factors, a presumption that if the market value is below cost by a significant amount for a period, a write-down may be necessary. During the three and nine months ended January 31, 2020 and 2019, no other-than-temporary impairment was recognized.

Fair Value of Financial Instruments

Fair value is the price the Company would receive to sell an asset or transfer a liability (exit price) in an orderly transaction between market participants. For those assets and liabilities recorded or disclosed at fair value, the Company determines the fair value based upon the quoted market price, if available. If a quoted market price is not available for identical assets, the fair value is based upon the quoted market price of similar assets. The fair values are assigned a level within the fair value hierarchy as defined below:

- **Level 1:** Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- **Level 2:** Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- **Level 3:** Unobservable inputs that reflect the reporting entity's own assumptions.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020 (continued)

As of January 31, 2020 and April 30, 2019, the Company held certain assets that are required to be measured at fair value on a recurring basis. These included cash, cash equivalents, accounts receivable, marketable securities, foreign currency forward contracts and an interest rate swap. The carrying amount of cash, cash equivalents and accounts receivable approximates fair value due to the short-term maturity of these instruments. The fair values of marketable securities classified as trading are obtained from quoted market prices, and the fair values of marketable securities classified as available-for-sale, foreign currency forward contracts and interest rate swap are obtained from a third party, which are based on quoted prices or market prices for similar assets and financial instruments.

Derivative Financial Instruments

On December 16, 2019, in conjunction with the payoff of the credit facility, the Company terminated its interest rate swap. The Company had entered into the interest rate swap agreement to effectively convert its variable debt to a fixed-rate basis. The principal objective was to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's long-term debt, thus reducing the impact of interest rate changes on future interest payment cash flows. The Company determined that the interest rate swap qualified as a cash flow hedge in accordance with Accounting Standards Codification 815, *Derivatives and Hedging* ("ASC 815"). Changes in the fair value of an interest rate swap agreement designated as a cash flow hedge were recorded as a component of accumulated other comprehensive loss within stockholders' equity and are amortized to interest expense over the term of the related debt.

Foreign Currency Forward Contracts Not Designated as Hedges

The Company has established a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures primarily originating from intercompany balances due to cross border work performed in the ordinary course of business. These foreign currency forward contracts are neither used for trading purposes nor are they designated as hedging instruments pursuant to ASC 815. Accordingly, the fair value of these contracts is recorded as of the end of the reporting period in the accompanying consolidated balance sheets, while the change in fair value is recorded to the accompanying consolidated statements of income.

Business Acquisitions

Business acquisitions are accounted for under the acquisition method. The acquisition method requires the reporting entity to identify the acquirer, determine the acquisition date, recognize and measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity, and recognize and measure goodwill or a gain from the purchase. The acquiree's results are included in the Company's consolidated financial statements from the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over the amounts assigned is recorded as goodwill, or if the fair value of the assets acquired exceeds the purchase price consideration, a bargain purchase gain is recorded. Adjustments to fair value assessments are generally recorded to goodwill over the measurement period (not longer than twelve months). The acquisition method also requires that acquisition-related transaction and post-acquisition restructuring costs be charged to expense as committed and requires the Company to recognize and measure certain assets and liabilities including those arising from contingencies and contingent consideration in a business combination.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of use ("ROU") assets and current and non-current operating lease liability, in the consolidated balance sheets. Finance leases are included in property and equipment, net, other accrued liabilities and other liabilities in the consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term, and the lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term, with variable lease payments recognized in the periods in which they are incurred.

The Company has lease agreements with lease and non-lease components. For all leases with non-lease components the Company accounts for the lease and non-lease components as a single lease component.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

Impairment of Long-Lived Assets

Long-lived assets include property, equipment, right-of-use assets and software developed or obtained for internal use. In accordance with ASC 360, Property, Plant and Equipment ("ASC 360"), management reviews the Company's recorded long-lived assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The Company determines the extent to which an asset may be impaired based upon its expectation of the asset's future usability, as well as on a reasonable assurance that the future cash flows associated with the asset will be in excess of its carrying amount. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between fair value and the carrying value of the asset. During the three months ended January 31, 2020, the Company decided that it would exit 16 office leases as part of the integration of the acquisition of Miller Heiman Group, AchieveForum and Strategy Execution ("Acquired Companies"). This resulted in an impairment charge of the ROU asset of \$2.3 million and impairment of leasehold improvements and furniture and fixtures of \$0.4 million, both recorded in the consolidated statements of income in general and administrative expenses.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired. The goodwill impairment test compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, goodwill of the reporting unit would be considered impaired. To measure the amount of the impairment loss, the implied fair value of a reporting unit's goodwill is compared to the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. For each of these tests, the fair value of each of the Company's reporting units is determined using a combination of valuation techniques, including a discounted cash flow methodology. To corroborate the discounted cash flow analysis performed at each reporting unit, a market approach is utilized using observable market data such as comparable companies in similar lines of business that are publicly traded or which are part of a public or private transaction (to the extent available). Results of the annual impairment test performed as of January 31, 2019, indicated that the fair value of each reporting unit exceeded its carrying amount and no reporting units were at risk of failing the impairment test. As a result, no impairment charge was recognized. The Company's annual impairment test will be performed in the fourth quarter of fiscal 2020. There was also no indication of potential impairment as of January 31, 2020 and April 30, 2019 that required further testing.

Intangible assets primarily consist of customer lists, non-compete agreements, proprietary databases and IP. Intangible assets are recorded at their estimated fair value at the date of acquisition and are amortized in a pattern in which the asset is consumed, if that pattern can be reliably determined, or using the straight-line method over their estimated useful lives, which range from one to 24 years. For intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the intangible assets is not recoverable and exceeds fair value. The carrying amount of the intangible assets is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from use of the asset. As of January 31, 2020 and April 30, 2019, there were no indicators of impairment with respect to the Company's intangible assets.

On June 12, 2018, the Company's Board of Directors voted to approve a plan to go to market under a single, master brand architecture and to simplify the Company's organizational structure by eliminating and/or consolidating certain legal entities and implementing a rebranding of the Company to offer the Company's current products and services using the "Korn Ferry" name, branding and trademarks. As a result, the Company discontinued the use of all sub-brands being used at that time. Two of the Company's former sub-brands, Hay Group and Lominger, came to Korn Ferry through acquisitions. In connection with the accounting for these acquisitions, \$106.6 million of the purchase price was allocated to indefinite-lived tradename intangible assets. As a result of the decision to discontinue their use, the Company took a non-cash intangible asset write-off of \$106.6 million during the nine months ended January 31, 2019, recorded in general and administrative expenses.

Compensation and Benefits Expense

Compensation and benefits expense in the accompanying consolidated statements of income consist of compensation and benefits paid to consultants (employees who originate business), executive officers and administrative and support personnel. The most significant portions of this expense are salaries and the amounts paid under the annual performance-related bonus plan to employees. The portion of the expense applicable to salaries is comprised of amounts earned by employees during a reporting period. The portion of the expenses applicable to annual performance-related bonuses refers to the Company's annual employee performance-related bonus with respect to a fiscal year, the amount of which is communicated and paid to each eligible employee following the completion of the fiscal year.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

Each quarter, management makes its best estimate of its annual performance-related bonuses, which requires management to, among other things, project annual consultant productivity (as measured by engagement fees billed and collected by executive search consultants and revenue and other performance/profitability metrics for Consulting, Digital and RPO & Professional Search consultants), the level of engagements referred by a consultant in one line of business to a different line of business, and Company performance, including profitability, competitive forces and future economic conditions and their impact on the Company's results. At the end of each fiscal year, annual performance-related bonuses take into account final individual consultant productivity (including referred work), Company/line of business results, including profitability, the achievement of strategic objectives, the results of individual performance appraisals, and the current economic landscape. Accordingly, each quarter the Company reevaluates the assumptions used to estimate annual performance-related bonus liability and adjusts the carrying amount of the liability recorded on the consolidated balance sheet and reports any changes in the estimate in current operations.

Because annual performance-based bonuses are communicated and paid only after the Company reports its full fiscal year results, actual performance-based bonus payments may differ from the prior year's estimate. Such changes in the bonus estimate historically have been immaterial and are recorded in current operations in the period in which they are determined. The performance-related bonus expense was \$177.9 million and \$202.4 million during the nine months ended January 31, 2020 and 2019, respectively, included in compensation and benefits expense in the consolidated statements of income. During the three months ended January 31, 2020 and 2019, the performance related bonus expense was \$60.5 million and \$59.5 million, respectively.

Other expenses included in compensation and benefits expense are due to changes in deferred compensation and pension plan liabilities, changes in cash surrender value ("CSV") of company-owned life insurance ("COLI") contracts, amortization of stock compensation awards, payroll taxes and employee insurance benefits. Unearned compensation on the consolidated balance sheets includes long-term retention awards that are generally amortized over four-to-five years.

Restructuring Charges, Net

The Company accounts for its restructuring charges as a liability when the obligations are incurred and records such charges at fair value. Changes in the estimates of the restructuring charges are recorded in the period the change is determined.

Stock-Based Compensation

The Company has employee compensation plans under which various types of stock-based instruments are granted. These instruments principally include restricted stock units, restricted stock and an Employee Stock Purchase Plan ("ESPP"). The Company recognizes compensation expense related to restricted stock units, restricted stock and the estimated fair value of stock purchases under the ESPP on a straight-line basis over the service period for the entire award.

Reclassifications

Certain reclassifications have been made to the amounts in prior periods in order to conform to the current period's presentation.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standard Codification 842 –Leases) on accounting for leases that generally requires all leases to be recognized on the consolidated balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018. On July 30, 2018, the FASB issued an amendment that allows entities to apply the provisions at the effective date without adjusting comparative periods. The Company adopted this guidance in its fiscal year beginning May 1, 2019 using a modified retrospective approach without restatement of comparative periods. As such, periods prior to the date of adoption are presented in accordance with Accounting Standard Codification 840 - Leases. The FASB also issued subsequent related Accounting Standards Updates ("ASUs"), which detail amendments to the ASU, implementation considerations, narrow-scope improvements and practical expedients. The Company has elected to apply the group of practical expedients which allows the Company to carry forward its identification of contracts that are or contain leases, its historical lease classification and its initial direct costs for existing leases. The Company has also elected to combine lease and non-lease components for all asset classes and recognize leases with an initial term of 12 months or less on a straight-line basis without recognizing a ROU asset or operating lease liability.

The adoption of this standard had a material impact on the consolidated balance sheet as of January 31, 2020 due to the recognition of ROU assets and operating lease liabilities, but an immaterial impact on the Company's consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of stockholders' equity, and consolidated statements of cash flows. Upon adoption we recognized total ROU assets of \$236.1 million with a corresponding liability of \$272.3 million. The ROU asset balance was adjusted by the reclassification of pre-existing prepaid expenses and other assets and deferred rent balances of \$5.1 million and \$41.3 million, respectively.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020 (continued)

In August 2017, the FASB issued guidance amending and simplifying accounting for hedging activities. The guidance refined and expanded strategies that qualify for hedge accounting and simplified the application of hedge accounting in certain situations. The guidance is effective for fiscal years beginning after December 15, 2018. The Company adopted this guidance in its fiscal year beginning May 1, 2019. The adoption of this guidance did not have an impact on the consolidated financial statements.

Recently Proposed Accounting Standards - Not Yet Adopted

In June 2016, the FASB issued guidance on accounting for measurement of credit losses on financial Instruments, which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. The standard is effective for fiscal years beginning after December 15, 2019. The Company will adopt this guidance in its fiscal year beginning May 1, 2020. The adoption of this guidance is not anticipated to have a material impact on the consolidated financial statements.

In January 2017, the FASB issued guidance simplifying the test for goodwill impairment. The new guidance simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Companies will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments of this standard are effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests performed after January 1, 2017. The Company will adopt this guidance in its fiscal year beginning May 1, 2020. The adoption of this guidance is not anticipated to have a material impact on the consolidated financial statements.

In August 2018, the FASB issued guidance amending the disclosure requirements for fair value measurements. The amendment removes and modifies disclosures that are currently required and adds additional disclosures that are deemed relevant. The amendments of this standard are effective for fiscal years beginning after December 15, 2019. The Company will adopt this guidance in its fiscal year beginning May 1, 2020. The Company is currently evaluating the impact of adopting this guidance and doesn't anticipate the guidance to have a material impact on the consolidated financial statements.

In August 2018, the FASB issued guidance amending accounting for internal-use software. The new guidance will align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with developing or obtaining internal-use software. The amendments of this standard are effective for fiscal years ending after December 15, 2019 with early adoption permitted. The Company will adopt this guidance in its fiscal year beginning May 1, 2020. The Company is currently evaluating the impact of adopting this guidance.

In December 2019, the FASB issued guidance on Simplifying the Accounting for Income Taxes. This update eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The update also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The amendments of this standard are effective for fiscal year beginning after December 15, 2020, with early adoption permitted. The Company will adopt this guidance in its fiscal year beginning May 1, 2021. The adoption of this guidance is not anticipated to have a material impact on the consolidated financial statements.

2. Basic and Diluted Earnings Per Share

Accounting Standards Codification 260, *Earnings Per Share*, requires companies to treat invested share-based payment awards that have non-forfeitable rights to dividends prior to vesting as a separate class of securities in calculating earnings per share. The Company has granted and expects to continue to grant to certain employees under its restricted stock agreements grants that contain non-forfeitable rights to dividends. Such grants are considered participating securities. Therefore, the Company is required to apply the two-class method in calculating earnings per share. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. The dilutive effect of participating securities is calculated using the more dilutive of the treasury method or the two-class method.

Basic earnings per common share was computed using the two-class method by dividing basic net earnings attributable to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per common share was computed using the two-class method by dividing diluted net earnings attributable to common stockholders by the weighted-average number of common shares outstanding plus dilutive common equivalent shares. Dilutive common equivalent shares include all in-the-money outstanding options or other contracts to issue common stock as if they were exercised or converted. Financial instruments that are not in the form of common stock, but when converted into common stock increase earnings per share are anti-dilutive and are not included in the computation of diluted earnings per share.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

During the three and nine months ended January 31, 2020, restricted stock awards of 0.7 million were outstanding, but not included in the computation of diluted earnings per share because they were anti-dilutive. During the three and nine months ended January 31, 2019, restricted stock awards of 0.7 million and 0.6 million were outstanding, respectively, but not included in the computation of diluted earnings per share because they were anti-dilutive.

The following table summarizes basic and diluted earnings per common share attributable to common stockholders:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
Net income attributable to Korn Ferry	\$ 19,993	\$ 44,964	\$ 105,748	\$ 52,387
Less: distributed and undistributed earnings to nonvested restricted stockholders	222	468	1,138	541
Basic net earnings attributable to common stockholders	<u>19,771</u>	<u>44,496</u>	<u>104,610</u>	<u>51,846</u>
Add: undistributed earnings to nonvested restricted stockholders	161	409	960	365
Less: reallocation of undistributed earnings to nonvested restricted stockholders	160	405	953	359
Diluted net earnings attributable to common stockholders	<u>\$ 19,772</u>	<u>\$ 44,500</u>	<u>\$ 104,617</u>	<u>\$ 51,852</u>
Weighted-average common shares outstanding:				
Basic weighted-average number of common shares outstanding	53,999	55,233	54,611	55,358
Effect of dilutive securities:				
Restricted stock	258	516	363	799
ESPP	7	4	32	24
Diluted weighted-average number of common shares outstanding	<u>54,264</u>	<u>55,753</u>	<u>55,006</u>	<u>56,181</u>
Net earnings per common share:				
Basic earnings per share	<u>\$ 0.37</u>	<u>\$ 0.81</u>	<u>\$ 1.92</u>	<u>\$ 0.94</u>
Diluted earnings per share	<u>\$ 0.36</u>	<u>\$ 0.80</u>	<u>\$ 1.90</u>	<u>\$ 0.92</u>

3. Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and all changes to stockholders' equity, except those changes resulting from investments by stockholders (changes in paid in capital) and distributions to stockholders (dividends) and is reported in the accompanying consolidated statements of comprehensive income (loss). Accumulated other comprehensive income (loss), net of taxes, is recorded as a component of stockholders' equity.

The components of accumulated other comprehensive income (loss) were as follows:

	January 31, 2020	April 30, 2019
	(in thousands)	
Foreign currency translation adjustments	\$ (63,900)	\$ (60,270)
Deferred compensation and pension plan adjustments, net of tax	(14,905)	(16,838)
Marketable securities unrealized loss, net of tax	(5)	—
Interest rate swap unrealized gain, net of tax	—	456
Accumulated other comprehensive loss, net	<u>\$ (78,810)</u>	<u>\$ (76,652)</u>



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

The following table summarizes the changes in each component of accumulated other comprehensive income (loss), net for the three months ended January 31, 2020:

	Foreign Currency Translation	Deferred Compensation and Pension Plan (1)	Unrealized Losses on Marketable Securities	Unrealized (Losses) Gains on Interest Rate Swap (2)	Accumulated Other Comprehensive Income (Loss)
(in thousands)					
Balance as of October 31, 2019	\$ (64,303)	\$ (15,848)	\$ —	\$ (495)	\$ (80,646)
Unrealized gains (losses) arising during the period	403	450	(5)	128	976
Reclassification of realized net losses to net income	—	493	—	367	860
Balance as of January 31, 2020	<u>\$ (63,900)</u>	<u>\$ (14,905)</u>	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ (78,810)</u>

The following table summarizes the changes in each component of accumulated other comprehensive income (loss), net for the nine months ended January 31, 2020:

	Foreign Currency Translation	Deferred Compensation and Pension Plan (1)	Unrealized Losses on Marketable Securities	Unrealized Gains (Losses) on Interest Rate Swap (2)	Accumulated Other Comprehensive Income (Loss)
(in thousands)					
Balance as of April 30, 2019	\$ (60,270)	\$ (16,838)	\$ —	\$ 456	\$ (76,652)
Unrealized (losses) gains arising during the period	(3,630)	450	(5)	(678)	(3,863)
Reclassification of realized net losses to net income	—	1,483	—	222	1,705
Balance as of January 31, 2020	<u>\$ (63,900)</u>	<u>\$ (14,905)</u>	<u>\$ (5)</u>	<u>\$ —</u>	<u>\$ (78,810)</u>

(1) The tax effect on unrealized gains was \$0.2 million for both the three and nine months ended January 31, 2020, respectively. The tax effect on the reclassifications of realized net losses was \$0.2 million and \$0.5 million for the three and nine months ended January 31, 2020, respectively.

(2) The tax effect on unrealized gains (losses) was \$0.1 million and (\$0.2) million for the three and nine months ended January 31, 2020, respectively. The tax effect on the reclassification of realized net losses to net income was \$0.1 million for both the three and nine months ended January 31, 2020, respectively.

The following table summarizes the changes in each component of accumulated other comprehensive income (loss), net for the three months ended January 31, 2019:

	Foreign Currency Translation	Deferred Compensation and Pension Plan (1)	Unrealized Gains (Losses) on Interest Rate Swap (2)	Accumulated Other Comprehensive Income (Loss)
(in thousands)				
Balance as of October 31, 2018	\$ (59,472)	\$ (10,923)	\$ 1,814	\$ (68,581)
Unrealized gains (losses) arising during the period	6,017	—	(880)	5,137
Reclassification of realized net losses (gains) to net income	—	273	(100)	173
Balance as of January 31, 2019	<u>\$ (53,455)</u>	<u>\$ (10,650)</u>	<u>\$ 834</u>	<u>\$ (63,271)</u>



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

The following table summarizes the changes in each component of accumulated other comprehensive income (loss), net for the nine months ended January 31, 2019:

	Foreign Currency Translation	Deferred Compensation and Pension Plan (1)	Unrealized Gains (Losses) on Interest Rate Swap (2)	Accumulated Other Comprehensive Income (Loss)
	(in thousands)			
Balance as of April 30, 2018	\$ (32,399)	\$ (9,073)	\$ 1,337	\$ (40,135)
Unrealized losses arising during the period	(21,056)	—	(538)	(21,594)
Reclassification of realized net losses (gains) to net income	—	819	(164)	655
Effect of adoption of accounting standard	—	(2,396)	199	(2,197)
Balance as of January 31, 2019	<u>\$ (53,455)</u>	<u>\$ (10,650)</u>	<u>\$ 834</u>	<u>\$ (63,271)</u>

(1) The tax effect on the reclassifications of realized net losses was \$0.1 million and \$0.3 million for the three and nine months ended January 31, 2019, respectively.

(2) The tax effect on unrealized losses was \$0.3 million and \$0.2 million for the three and nine months ended January 31, 2019, respectively. The tax effect on the reclassification of realized net gains to net income was \$0.1 million for the nine months ended January 31, 2019.

4. Employee Stock Plans

Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense recognized in the Company's consolidated statements of income for the periods indicated:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
	(in thousands)			
Restricted stock	\$ 5,219	\$ 5,413	\$ 16,022	\$ 17,083
ESPP	249	246	966	945
Total stock-based compensation expense	<u>\$ 5,468</u>	<u>\$ 5,659</u>	<u>\$ 16,988</u>	<u>\$ 18,028</u>

Stock Incentive Plan

At the Company's 2019 Annual Meeting of Stockholders, held on October 3, 2019, the Company's stockholders approved an amendment and restatement to the Korn Ferry Amended and Restated 2008 Stock Incentive Plan (the 2019 amendment and restatement being the "Fourth A&R 2008 Plan"), which, among other things, eliminated the fungible share counting provision and decreased the total number of shares of the Company's common stock available for stock-based awards by 2,141,807 shares, leaving 3,600,000 shares available for issuance, subject to certain changes in the Company's capital structure and other extraordinary events. The Fourth A&R 2008 Plan was also amended to generally require a minimum one-year vesting for all future awards, and provides for the grant of awards to eligible participants, designated as either nonqualified or incentive stock options, restricted stock and restricted stock units, any of which are market-based, and incentive bonuses, which may be paid in cash or stock or a combination thereof.

Restricted Stock

The Company grants time-based restricted stock awards to executive officers and other senior employees generally vesting over a four-year period. In addition, certain key management members typically receive time-based restricted stock awards upon commencement of employment and may receive them annually in conjunction with the Company's performance review. Time-based restricted stock awards are granted at a price equal to fair value, which is determined based on the closing price of the Company's common stock on the grant date. The Company recognizes compensation expense for time-based restricted stock awards on a straight-line basis over the vesting period.

The Company also grants market-based restricted stock units to executive officers and other senior employees. The market-based units vest after three years depending upon the Company's total stockholder return over the three-year performance period relative to other companies in its selected peer group. The fair value of these market-based restricted stock units are determined by using extensive market data that is based on historical Company and peer group information. The Company recognizes compensation expense for market-based restricted stock units on a straight-line basis over the vesting period.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

Restricted stock activity during the nine months ended January 31, 2020 is summarized below:

	Shares		Weighted-Average Grant Date Fair Value
	(in thousands, except per share data)		
Non-vested, April 30, 2019	1,460	\$	38.42
Granted	605	\$	38.44
Vested	(622)	\$	25.16
Forfeited/expired	(49)	\$	34.92
Non-vested, January 31, 2020	1,394	\$	44.48

As of January 31, 2020, there were 0.5 million shares outstanding relating to market-based restricted stock units with total unrecognized compensation totaling \$2.7 million.

As of January 31, 2020, there was \$40.7 million of total unrecognized compensation cost related to all non-vested awards of restricted stock, which is expected to be recognized over a weighted-average period of 2.4 years. During the three and nine months ended January 31, 2020, 3,343 shares and 228,579 shares of restricted stock totaling \$0.1 million and \$8.8 million, respectively, were repurchased by the Company, at the option of employees, to pay for taxes related to the vesting of restricted stock. During the three and nine months ended January 31, 2019, 150,227 shares and 352,730 shares of restricted stock totaling \$7.3 million and \$20.5 million, respectively, were repurchased by the Company, at the option of employees, to pay for taxes related to the vesting of restricted stock.

Employee Stock Purchase Plan

The Company has an ESPP that, in accordance with Section 423 of the Internal Revenue Code, allows eligible employees to authorize payroll deductions of up to 15% of their salary to purchase shares of the Company's common stock at 85% of the fair market price of the common stock on the last day of the enrollment period. Employees may not purchase more than \$25,000 in stock during any calendar year. The maximum number of shares that may be issued under the ESPP is 3.0 million shares. During the three and nine months ended January 31, 2020, employees purchased 93,557 shares at \$36.04 per share and 220,161 shares at \$34.90 per share, respectively. During the three and nine months ended January 31, 2019, employees purchased 94,193 shares at \$33.61 per share and 169,299 shares at \$42.05 per share, respectively. As of January 31, 2020, the ESPP had approximately 0.7 million shares remaining available for future issuance.

Common Stock

During the three and nine months ended January 31, 2020, the Company repurchased (on the open market or through privately negotiated transactions) 154,100 shares and 1,787,292 shares of the Company's common stock for \$6.2 million and \$68.1 million, respectively. During the three and nine months ended January 31, 2019, the Company repurchased (on the open market or through privately negotiated transactions) 352,800 shares and 809,074 shares of the Company's common stock for \$14.7 million for \$37.4 million, respectively.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

5. Financial Instruments

The following tables show the Company's financial instruments and balance sheet classification as of January 31, 2020 and April 30, 2019:

	January 31, 2020							
	Fair Value Measurement				Balance Sheet Classification			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities, Current	Marketable Securities, Non-current	Income Taxes & Other Receivables
	(in thousands)							
Level 1:								
Cash	\$ 506,816	\$ —	\$ —	\$ 506,816	\$ 506,816	\$ —	\$ —	\$ —
Money market funds	50,402	—	—	50,402	50,402	—	—	—
Mutual funds (1)	143,885	8,366	(662)	151,589	—	7,800	143,789	—
Total	<u>\$ 701,103</u>	<u>\$ 8,366</u>	<u>\$ (662)</u>	<u>\$ 708,807</u>	<u>\$ 557,218</u>	<u>\$ 7,800</u>	<u>\$ 143,789</u>	<u>\$ —</u>
Level 2:								
Commercial paper	\$ 19,281	\$ —	\$ (2)	\$ 19,279	\$ 2,793	\$ 16,486	\$ —	\$ —
Corporate notes/bonds	20,438	1	(6)	20,433	3,697	16,736	—	—
Total debt investments	\$ 39,719	\$ 1	\$ (8)	\$ 39,712	\$ 6,490	\$ 33,222	\$ —	\$ —
Foreign currency forward contracts	\$ —	\$ 751	\$ (629)	\$ 122	\$ —	\$ —	\$ —	\$ 122

	April 30, 2019							
	Fair Value Measurement				Balance Sheet Classification			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities, Current	Marketable Securities, Non-current	Income Taxes & Other Receivables
	(in thousands)							
Level 1:								
Cash	\$ 579,998	\$ —	\$ —	\$ 579,998	\$ 579,998	\$ —	\$ —	\$ —
Money market funds	46,362	—	—	46,362	46,362	—	—	—
Mutual funds (1)	135,439	6,301	(989)	140,751	—	8,288	132,463	—
Total	<u>\$ 761,799</u>	<u>\$ 6,301</u>	<u>\$ (989)</u>	<u>\$ 767,111</u>	<u>\$ 626,360</u>	<u>\$ 8,288</u>	<u>\$ 132,463</u>	<u>\$ —</u>
Level 2:								
Foreign currency forward contracts	\$ —	\$ 821	\$ (722)	\$ 99	\$ —	\$ —	\$ —	\$ 99
Interest rate swap	\$ —	\$ 619	\$ —	\$ 619	\$ —	\$ —	\$ —	\$ 619

(1) These investments are held in trust for settlement of the Company's vested obligations of \$135.7 million and \$122.3 million as of January 31, 2020 and April 30, 2019, respectively, under the ECAP (see Note 6 — *Deferred Compensation and Retirement Plans*). Unvested obligations under the deferred compensation plans totaled \$23.2 million and \$24.6 million as of January 31, 2020 and April 30, 2019, respectively. During the three and nine months ended January 31, 2020, the fair value of the investments increased; therefore, the Company recognized a gain of \$5.2 million and \$8.3 million, respectively, which was recorded in other income, net. During the three and nine months ended January 31, 2019, the fair value of the investments increased; therefore, the Company recognized a gain of \$2.2 million and \$1.3 million, respectively, which was recorded in other income, net.

Investments in marketable securities classified as available-for-sale securities are made based on the Company's investment policy, which restricts the types of investments that can be made. As of January 31, 2020, marketable securities classified as available-for-sale consist of commercial paper and corporate notes/bonds for which market prices for similar assets are readily available. Investments that have an original maturity of 90 days or less and are considered highly liquid investments are classified as cash equivalents. As of January 31, 2020, available-for-sale marketable securities have remaining maturities ranging from three to eleven months. During the three and nine months ended January 31, 2020, there were no sales/maturities of available-for-sale marketable securities. Investments in marketable securities classified as trading are based upon investment selections the employee elects from a pre-determined set of securities in the ECAP and the Company invests in marketable securities to mirror these elections. As of January 31, 2020 and April 30, 2019, the Company's investments in marketable securities classified as trading consisted of mutual funds for which market prices are readily available.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

Designated Derivatives - Interest Rate Swap Agreement

In March 2017, the Company entered into an interest rate swap contract with a notional amount of \$29.8 million to hedge the variability to changes in cash flows attributable to interest rate risks caused by changes in interest rates related to its variable rate debt. The interest rate swap agreement locked the interest rates on a portion of the debt outstanding at 1.919%, exclusive of the credit spread on the debt. The Company designated the swap as a cash flow hedge. On December 16, 2019, in conjunction with the payoff of the credit facility, the Company terminated the interest rate swap and recorded \$0.5 million in interest expense, net.

The fair value of the derivative designated as a cash flow hedge instrument was as follows:

	January 31, 2020	April 30, 2019
	(in thousands)	
Derivative asset:		
Interest rate swap contract	\$ —	\$ 619

During the three and nine months ended January 31, 2020 and 2019, the Company recognized the following gains and losses on the interest rate swap:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
	(in thousands)			
Gains (losses) recognized in other comprehensive income (net of tax effects of \$45, \$(309), \$(238) and \$(189), respectively)	\$ 128	\$ (880)	\$ (678)	\$ (538)
(Losses) gains reclassified from accumulated other comprehensive loss into interest expense, net	\$ (493)	\$ 135	\$ (297)	\$ 221

The cash flows related to the interest rate swap contract are included in net cash provided by operating activities.

Foreign Currency Forward Contracts Not Designated as Hedges

The fair value of derivatives not designated as hedge instruments are as follows:

	January 31, 2020	April 30, 2019
	(in thousands)	
Derivative assets:		
Foreign currency forward contracts	\$ 751	\$ 821
Derivative liabilities:		
Foreign currency forward contracts	\$ 629	\$ 722

As of January 31, 2020, the total notional amounts of the forward contracts purchased and sold were \$78.4 million and \$58.5 million, respectively. As of April 30, 2019, the total notional amounts of the forward contracts purchased and sold were \$51.4 million and \$40.0 million, respectively. The Company recognizes forward contracts as a net asset or net liability on the consolidated balance sheets as such contracts are covered by a master netting agreement. During the three and nine months ended January 31, 2020, the Company incurred gains of \$0.5 million and \$1.0 million, respectively, related to forward contracts, which is recorded in general and administrative expenses in the accompanying consolidated statements of income. These foreign currency gains offset foreign currency losses that result from transactions denominated in a currency other than the Company's functional currency. During the three and nine months ended January 31, 2019, the Company incurred gains of \$0.7 million and \$0.6 million, respectively, related to forward contracts, which are recorded in general and administrative expenses in the accompanying consolidated statements of income. These gains offset foreign currency losses that result from transactions denominated in a currency other than the Company's functional currency. The cash flows related to foreign currency forward contracts are included in net cash used in operating activities.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

6. Deferred Compensation and Retirement Plans

The Company has several deferred compensation and retirement plans for eligible consultants and vice presidents that provide defined benefits to participants based on the deferral of current compensation or contributions made by the Company subject to vesting and retirement or termination provisions. Among these plans is a defined benefit pension plan for certain employees in the U.S.. The assets of this plan are held separately from the assets of the sponsor in self-administered funds. All other defined benefit obligations from other plans are unfunded.

The components of net periodic benefit costs are as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
	(in thousands)			
Service cost	\$ 6,502	\$ 4,538	\$ 18,432	\$ 12,716
Interest cost	1,423	1,330	4,238	3,956
Amortization of actuarial loss	746	446	2,236	1,338
Expected return on plan assets (1)	(363)	(392)	(1,089)	(1,176)
Net periodic service credit amortization	(77)	(77)	(231)	(231)
Net periodic benefit costs (2)	<u>\$ 8,231</u>	<u>\$ 5,845</u>	<u>\$ 23,586</u>	<u>\$ 16,603</u>

(1) The expected long-term rate of return on plan assets was 6.00% and 6.25% for January 31, 2020 and 2019, respectively.

(2) The service cost, interest cost and the other components of net periodic benefit costs are included in compensation and benefits expense, interest expense, net and other income, net, respectively, on the consolidated statements of income.

The Company purchased COLI contracts insuring the lives of certain employees eligible to participate in the deferred compensation and pension plans as a means of setting aside funds to cover such plans. The gross CSV of these contracts of \$237.6 million and \$219.2 million as of January 31, 2020 and April 30, 2019, respectively, was offset by outstanding policy loans of \$92.3 million and \$93.2 million in the accompanying consolidated balance sheets as of January 31, 2020 and April 30, 2019, respectively. The CSV value of the underlying COLI investments increased by \$1.6 million and \$5.8 million during the three and nine months ended January 31, 2020, respectively, and is recorded as a decrease in compensation and benefits expense in the accompanying consolidated statements of income. The CSV value of the underlying COLI investments increased by \$1.5 million and \$4.5 million during the three and nine months ended January 31, 2019, respectively, and is recorded as a decrease in compensation and benefits expense in the accompanying consolidated statements of income.

The Company's ECAP is intended to provide certain employees an opportunity to defer salary and/or bonus on a pre-tax basis. In addition, the Company, as part of its compensation philosophy, makes discretionary contributions into the ECAP and such contributions may be granted to key employees annually based on the employee's performance. Certain key management may also receive Company ECAP contributions upon commencement of employment. The Company amortizes these contributions on a straight-line basis over the service period, generally a four-to-five year period. Participants have the ability to allocate their deferrals among a number of investment options and may receive their benefits at termination, retirement or 'in service' either in a lump sum or in quarterly installments over one-to-15 years. The ECAP amounts that are expected to be paid to employees over the next 12 months are classified as a current liability included in compensation and benefits payable on the accompanying consolidated balance sheets.

The ECAP is accounted for whereby the changes in the fair value of the vested amounts owed to the participants are adjusted with a corresponding charge (or credit) to compensation and benefits costs. During the three and nine months ended January 31, 2020, deferred compensation liability increased; therefore, the Company recognized compensation expense of \$5.0 million and \$8.6 million, respectively. Offsetting the increases in compensation and benefits expense was an increase in the fair value of marketable securities (held in trust to satisfy obligations of the ECAP liabilities) of \$5.2 million and \$8.3 million during the three and nine months ended January 31, 2020, respectively, recorded in other income, net on the consolidated statements of income. During the three and nine months ended January 31, 2019, deferred compensation liability increased; therefore, the Company recognized an increase in compensation expense of \$2.2 million and \$2.0 million, respectively. Offsetting the increase in compensation and benefits expense was an increase in the fair value of marketable securities (held in trust to satisfy obligations under the ECAP) of \$2.2 million and \$1.3 million during the three and nine months ended January 31, 2019, respectively, recorded in other income, net on the consolidated statements of income (see Note 5 —Financial Instruments).



KORN FERRY AND SUBSIDIARIES
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January 31, 2020 (continued)

7. Fee Revenue

Substantially all fee revenue is derived from talent and organizational consulting services and digital sales, fees for professional services related to executive and professional recruitment performed on a retained basis and RPO, standalone or as part of a solution.

Contract Balances

A contract asset (unbilled receivables) is recorded when the Company transfers control of products or services before there is an unconditional right to payment. A contract liability (deferred revenue) is recorded when cash is received in advance of performance of the obligation. Deferred revenue represents the future performance obligations to transfer control of products or services for which we have already received consideration. Deferred revenue is presented in other accrued liabilities on the consolidated balance sheet.

The following table outlines our contract asset and liability balances as of January 31, 2020 and April 30, 2019:

	January 31, 2020		April 30, 2019	
	(in thousands)			
Contract assets (unbilled receivables)	\$	91,462	\$	60,595
Contract liabilities (deferred revenue)	\$	142,014	\$	112,999

During the nine months ended January 31, 2020, we recognized revenue of \$4.1 million that was included in the contract liabilities balance at the beginning of the period.

Performance Obligations

The Company has elected to apply the practical expedient to exclude the value of unsatisfied performance obligations for contracts with a duration of one year or less, which applies to all executive search and professional search fee revenue. As of January 31, 2020, the aggregate transaction price allocated to the performance obligations that are unsatisfied for contracts with an expected duration of greater than one year at inception was \$596.1 million. Of the \$596.1 million of remaining performance obligations, the Company expects to recognize approximately \$122.0 million as fee revenue in fiscal 2020, \$263.6 million in fiscal 2021, \$117.2 million in fiscal 2022 and the remaining \$93.3 million in fiscal 2023 and thereafter. However, this amount should not be considered an indication of the Company's future revenue as contracts with an initial term of one year or less are not included. Further, the Company's contract terms and conditions allow for clients to increase or decrease the scope of services and such changes do not increase or decrease a performance obligation until the Company has an enforceable right to payment.

Disaggregation of Revenue

The Company disaggregates its revenue by line of business and further by region for Executive Search. This information is presented in Note 10-Segments.

The following table provides further disaggregation of fee revenue by industry:

	Three Months Ended January 31,			
	2020		2019	
	Dollars	%	Dollars	%
	(dollars in thousands)			
Industrial	\$ 148,552	28.8%	\$ 138,460	29.2%
Financial Services	87,917	17.1	86,570	18.2
Life Sciences/Healthcare	88,924	17.3	76,654	16.2
Consumer Goods	76,719	14.9	74,186	15.6
Technology	78,823	15.3	66,188	13.9
Education/Non-Profit	32,142	6.2	29,108	6.1
General	2,248	0.4	3,338	0.8
Fee Revenue	<u>\$ 515,325</u>	<u>100.0%</u>	<u>\$ 474,504</u>	<u>100.0%</u>



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

	Nine Months Ended January 31,			
	2020		2019	
	Dollars	%	Dollars	%
	(dollars in thousands)			
Industrial	\$ 427,469	28.6%	\$ 418,159	29.1%
Financial Services	260,250	17.4	260,975	18.2
Life Sciences/Healthcare	259,845	17.4	239,425	16.7
Consumer Goods	223,779	15.0	224,848	15.7
Technology	218,273	14.6	189,155	13.2
Education/Non-Profit	92,605	6.3	90,748	6.3
General	10,042	0.7	11,967	0.8
Fee Revenue	<u>\$ 1,492,263</u>	<u>100.0%</u>	<u>\$ 1,435,277</u>	<u>100.0%</u>

8. Income Taxes

The provision for income tax was an expense of \$8.8 million and \$39.0 million in the three and nine months ended January 31, 2020, respectively, resulting in a 29.5% and 26.6% effective tax rate, respectively. In both periods, the Company's effective tax rate was higher than the U.S. federal statutory rate of 21.0% primarily due to the impact of U.S. state income taxes and the recognition of taxable income outside the U.S. at higher statutory tax rates.

9. Restructuring Charges, Net

During the three months ended January 31, 2020, the Company adopted a restructuring plan to rationalize its cost structure to realize the efficiencies and operational improvement that the investments in the Digital business, as discussed in Note 10—*Segments*, have enabled us to, or position us to, realize. The restructuring plan impacts both the Consulting and Digital segments and includes the elimination of redundant positions, which resulted in restructuring charges, net of \$18.1 million in the three and nine months ended January 31, 2020, relating to severance for positions that have been eliminated.

Changes in the restructuring liability during the three months ended January 31, 2020 are as follows:

	Restructuring Liability (in thousands)
As of October 31, 2019	\$ 528
Restructuring charges, net	18,093
Reductions for cash payments	(11,075)
Non-cash payments	(1,284)
Exchange rate fluctuations	12
As of January 31, 2020	<u>\$ 6,274</u>

Changes in the restructuring liability during the nine months ended January 31, 2020 are as follows:

	Restructuring Liability (in thousands)
As of April 30, 2019	\$ 531
Restructuring charges, net	18,093
Reductions for cash payments	(11,075)
Non-cash payments	(1,284)
Exchange rate fluctuations	9
As of January 31, 2020	<u>\$ 6,274</u>

As of January 31, 2020 and April 30, 2019, the restructuring liability is included in the current portion of other accrued liabilities on the consolidated balance sheets, except for \$0.7 million and \$0.5 million, respectively, which are included in other long-term liabilities.



KORN FERRY AND SUBSIDIARIES

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January 31, 2020 (continued)

10. Segments

Over the past year the Company invested in its digital business in order to digitize and harmonize the structure of its IP content and data and to build a technology platform for the efficient delivery of these assets directly to an end consumer or indirectly through a consultant engagement. These investments combined with the recent acquisition of the Acquired Companies have provided the Company the opportunity to reassess how the Company manages its Advisory business. Given the Company's strategy and development of financial and operational metrics for the Consulting and Digital businesses the Company's chief operating decision maker has begun to regularly make resource allocation decisions and assess performance separately between Consulting and Digital. Therefore, on November 1, 2019, the Company changed the composition of its global segments and under the new reporting format, the Advisory segment has been separated into two segments, Consulting and Digital. Revenues are directly attributed to a segment and expenses not directly associated with a specific segment are allocated based on the most relevant measures applicable, including revenues, headcount and other factors. Due to this change, the Company completed a qualitative assessment for any potential goodwill impairment both prior and subsequent to the aforementioned change and determined that no impairment indicators were present. Operating results prior to November 1, 2019 have been revised to conform to the new segment reporting.

The Company operates through four global segments:

1. **Consulting** helps clients synchronize their strategy and their talent by addressing four fundamental needs: Organizational Strategy, Assessment and Succession, Leadership Development, and Rewards and Benefits. This is supported and underpinned by a comprehensive range of some of the world's leading IP and data.
2. **Digital** is an integrated platform that gives clients direct access to people and organizational data, insights, analytics and digital assets. It is comprised of individual products that when used together, give clients a common language for all talent matters.
3. **Executive Search** helps organizations recruit board level, chief executive and other senior executive and general management talent. Behavioral interviewing and proprietary assessments are used to determine ideal organizational fit, and salary benchmarking builds appropriate frameworks for compensation and retention.
4. **RPO and Professional Search** combines people, process expertise and IP-enabled technology to deliver enterprise talent acquisition solutions to clients. Transaction sizes range from single professional searches to team, department and line of business projects, and global outsource recruiting solutions.

Executive Search is managed by geographic regional leaders. Worldwide operations for Consulting, Digital, and RPO and Professional Search are managed by their Chief Executive Officers. The Executive Search geographic regional leaders and the Chief Executive Officers of Consulting, Digital and RPO and Professional Search, report directly to the Chief Executive Officer of the Company. The Company also operates a Corporate segment to record global expenses.

The Company evaluates performance and allocates resources based on the Company's chief operating decision maker's review of (1) fee revenue and (2) adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). To the extent that such charges occur, Adjusted EBITDA excludes restructuring charges, integration/acquisition costs, certain separation costs and certain non-cash charges (goodwill, intangible asset and other than temporary impairment). The accounting policies for the reportable segments are the same as those described in the summary of significant accounting policies in Note 1—*Organization and Summary of Significant Accounting Policies*, except the items described above are excluded from EBITDA to arrive at Adjusted EBITDA. The Company's chief operating decision maker is not provided asset information by reportable segment.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020 (continued)

Financial highlights by business segment are as follows:

	Three Months Ended January 31, 2020									
	Executive Search							RPO & Professional Search	Corporate	Consolidated
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal			
	(in thousands)									
Fee revenue	\$ 140,525	\$ 99,389	\$ 106,888	\$ 44,301	\$ 25,089	\$ 7,283	\$ 183,561	\$ 91,850	\$ —	\$ 515,325
Total revenue	\$ 144,298	\$ 100,663	\$ 110,230	\$ 45,077	\$ 25,365	\$ 7,351	\$ 188,023	\$ 94,995	\$ —	\$ 527,979
Net income attributable to Korn Ferry										\$ 19,993
Net income attributable to noncontrolling interest										963
Other income, net										(5,055)
Interest expense, net										6,919
Income tax provision										8,775
Operating income (loss)	\$ 2,663	\$ 8,463	\$ 21,808	\$ 4,644	\$ 5,070	\$ 1,198	\$ 32,720	\$ 14,144	\$ (26,395)	\$ 31,595
Depreciation and amortization	4,417	5,832	847	422	329	295	1,893	979	1,742	14,863
Other income (loss), net	558	193	3,963	29	106	162	4,260	88	(44)	5,055
EBITDA	7,638	14,488	26,618	5,095	5,505	1,655	38,873	15,211	(24,697)	51,513
Integration/acquisition costs	—	4,332	—	—	—	—	—	—	2,372	6,704
Restructuring, charges, net	11,061	7,032	—	—	—	—	—	—	—	18,093
Separation costs	—	—	—	1,783	—	—	1,783	—	—	1,783
Adjusted EBITDA	\$ 18,699	\$ 25,852	\$ 26,618	\$ 6,878	\$ 5,505	\$ 1,655	\$ 40,656	\$ 15,211	\$ (22,325)	\$ 78,093

	Three Months Ended January 31, 2019									
	Executive Search							RPO & Professional Search	Corporate	Consolidated
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal			
	(in thousands)									
Fee revenue	\$ 139,029	\$ 62,473	\$ 114,215	\$ 45,940	\$ 25,687	\$ 7,554	\$ 193,396	\$ 79,606	\$ —	\$ 474,504
Total revenue	\$ 143,204	\$ 62,473	\$ 117,725	\$ 46,639	\$ 26,046	\$ 7,573	\$ 197,983	\$ 82,512	\$ —	\$ 486,172
Net income attributable to Korn Ferry										\$ 44,964
Net income attributable to noncontrolling interest										480
Other income, net										(2,463)
Interest expense, net										4,282
Income tax provision										15,420
Operating income (loss)	\$ 11,782	\$ 17,497	\$ 30,596	\$ 7,525	\$ 5,929	\$ 653	\$ 44,703	\$ 12,176	\$ (23,475)	\$ 62,683
Depreciation and amortization	4,001	3,306	970	402	338	97	1,807	803	1,824	11,741
Other income (loss), net	582	204	1,626	26	(134)	133	1,651	77	(51)	2,463
EBITDA	16,365	21,007	33,192	7,953	6,133	883	48,161	13,056	(21,702)	76,887
Integration/acquisition costs	650	127	—	—	—	—	—	—	27	804
Adjusted EBITDA	\$ 17,015	\$ 21,134	\$ 33,192	\$ 7,953	\$ 6,133	\$ 883	\$ 48,161	\$ 13,056	\$ (21,675)	\$ 77,691



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

	Nine Months Ended January 31, 2020									
	Executive Search									
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal	RPO & Professional Search	Corporate	Consolidated
	(in thousands)									
Fee revenue	\$ 422,103	\$ 223,097	\$ 332,428	\$ 130,652	\$ 78,395	\$ 23,140	\$ 564,615	\$ 282,448	\$ —	\$ 1,492,263
Total revenue	\$ 433,832	\$ 224,371	\$ 342,753	\$ 132,830	\$ 79,201	\$ 23,211	\$ 577,995	\$ 292,156	\$ —	\$ 1,528,354
Net income attributable to Korn Ferry										\$ 105,748
Net income attributable to noncontrolling interest										1,890
Other income, net										(8,014)
Interest expense, net										15,186
Income tax provision										38,988
Operating income (loss)	\$ 24,272	\$ 41,036	\$ 80,254	\$ 18,466	\$ 17,866	\$ 2,999	\$ 119,585	\$ 44,279	\$ (75,374)	153,798
Depreciation and amortization	13,188	13,156	2,617	1,328	1,004	938	5,887	2,961	5,163	40,355
Other income (loss), net	1,469	528	5,740	148	193	249	6,330	216	(529)	8,014
EBITDA	38,929	54,720	88,611	19,942	19,063	4,186	131,802	47,456	(70,740)	202,167
Integration/acquisition costs	—	4,332	—	—	—	—	—	—	4,987	9,319
Restructuring charges, net	11,061	7,032	—	—	—	—	—	—	—	18,093
Separation costs	—	—	—	1,783	—	—	1,783	—	—	1,783
Adjusted EBITDA	\$ 49,990	\$ 66,084	\$ 88,611	\$ 21,725	\$ 19,063	\$ 4,186	\$ 133,585	\$ 47,456	\$ (65,753)	\$ 231,362

	Nine Months Ended January 31, 2019									
	Executive Search									
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal	RPO & Professional Search	Corporate	Consolidated
	(in thousands)									
Fee revenue	\$ 423,958	\$ 190,008	\$ 342,175	\$ 137,522	\$ 79,918	\$ 24,339	\$ 583,954	\$ 237,357	\$ —	\$ 1,435,277
Total revenue	\$ 437,235	\$ 190,008	\$ 352,804	\$ 140,024	\$ 80,817	\$ 24,388	\$ 598,033	\$ 246,051	\$ —	\$ 1,471,327
Net income attributable to Korn Ferry										\$ 52,387
Net income attributable to noncontrolling interest										1,782
Other income, net										(2,483)
Interest expense, net										12,722
Income tax provision										14,143
Operating income (loss)	\$ (47,431)	\$ 23,057	\$ 92,438	\$ 21,813	\$ 19,337	\$ 3,460	\$ 137,048	\$ 36,337	\$ (70,460)	78,551
Depreciation and amortization	12,219	9,483	2,917	867	1,083	305	5,172	2,325	5,291	34,490
Other income (loss), net	1,107	514	1,146	388	118	263	1,915	103	(1,156)	2,483
EBITDA	(34,105)	33,054	96,501	23,068	20,538	4,028	144,135	38,765	(66,325)	115,524
Integration/acquisition costs	5,304	1,255	—	—	—	—	—	—	187	6,746
Tradename write-offs	76,967	29,588	—	—	—	—	—	—	—	106,555
Adjusted EBITDA	\$ 48,166	\$ 63,897	\$ 96,501	\$ 23,068	\$ 20,538	\$ 4,028	\$ 144,135	\$ 38,765	\$ (66,138)	\$ 228,825



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

11. Long-Term Debt

4.625% Senior Unsecured Notes due 2027

On December 16, 2019, the Company completed a private placement of 4.625% Senior Unsecured Notes due 2027 (the "Notes") with \$400 million principal amount pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The Notes were issued with a \$4.5 million discount and will mature December 15, 2027, with interest payable semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. The Notes represent senior unsecured obligations that rank equally in right of payment to all existing and future senior unsecured indebtedness. The Company may redeem the Notes prior to maturity, subject to certain limitations and premiums defined in the indenture governing the Notes. At any time prior to December 15, 2022, the Company may redeem the Notes at a redemption price equal to 100% of the principal plus the Applicable Premium (as defined in the indenture governing the Notes), and accrued and unpaid interest. At any time prior to December 15, 2022, the Company may use the proceeds of certain equity offerings to redeem up to 35% of the aggregate principal amount of the Notes, including any permitted additional notes, at a redemption price equal to 104.625% of the principal amount and accrued and unpaid interest. At any time and from time to time on or after December 15, 2022, the Company may redeem the Notes at the applicable redemption prices set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning on December 15 of each of the years indicated:

Year	Percentage
2022	102.313%
2023	101.156%
2024 and thereafter	100.000%

The Notes allow the Company to pay \$25 million of dividends per fiscal year with no restrictions, plus an unlimited amount of dividends so long as the Company's consolidated total leverage ratio is not greater than 3.50 to 1.00, and the Company is not in default under the indenture governing the Notes. The Notes are guaranteed by each of the Company's existing and future wholly owned domestic subsidiaries to the extent such subsidiaries guarantee the Company's revolving credit facility. The indenture governing the Notes requires that, upon the occurrence of both a Change of Control and a Rating Decline (each as defined in the indenture), the Company shall make an offer to purchase all of the Notes at 101% of their principal amount, and accrued and unpaid interest. The Company used the proceeds from the offering of the Notes to repay \$276.9 million outstanding under the Company's prior revolving credit facility (the "Prior Credit Agreement") and to pay expenses and fees in connection therewith. The remainder of the proceeds will be used for general corporate requirements. The effective interest rate on the Notes is 4.86%. As of January 31, 2020, the fair value of the Notes was \$402 million, based on borrowing rates then required of notes with similar terms, maturity and credit risk. The fair value of the Notes was classified as a Level 2 measurement in the fair value hierarchy.

Long-term debt, at amortized cost, consisted of the following:

In thousands	January 31, 2020	April 30, 2019
Senior Unsecured Notes	\$ 400,000	\$ —
Revolver	—	226,875
Less: Unamortized discount and issuance costs	(6,014)	(3,997)
Long-term borrowings, net of unamortized discount and debt issuance costs	\$ 393,986	\$ 222,878

Credit Facility

On December 16, 2019, the Company entered into a Credit Agreement (the "Credit Agreement") with a syndicate of banks and Bank of America, National Association as administrative agent to among other things, provide for enhanced financial flexibility. The Credit Agreement provides for a \$650.0 million five-year senior secured revolving credit facility (the "Revolver"), and contains certain customary affirmative and negative covenants, including a maximum consolidated net leverage ratio, a maximum consolidated secured net leverage ratio and a minimum interest coverage ratio. The Credit Agreement permits the payment of dividends to stockholders and Company share repurchases so long as there is no default under the Credit Agreement, the consolidated net leverage ratio, which uses adjusted EBITDA is no greater than 4.00 to 1.00, and the pro forma liquidity is at least \$50.0 million. The payoff of the term loan under the Prior Credit Agreement is considered a debt modification and therefore, the previously incurred unamortized and current debt issuance costs will be amortized over the life of the new issuance.



KORN FERRY AND SUBSIDIARIES

NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

January 31, 2020 (continued)

The principal balance of the Revolver, if any, is due on the date of its termination. The Revolver matures on December 16, 2024 and any unpaid principal balance is payable on this date. The Revolver may also be prepaid and terminated early by the Company at any time without premium or penalty (subject to customary LIBOR breakage fees).

At the Company's option, loans issued under the Credit Agreement will bear interest at either LIBOR or an alternate base rate, in each case plus the applicable interest rate margin. The interest rate applicable to loans outstanding under the Credit Agreement may fluctuate between LIBOR plus 1.125% per annum to LIBOR plus 2.00% per annum, in the case of LIBOR borrowings (or between the alternate base rate plus 0.125% per annum and the alternate base rate plus 1.00% per annum, in the alternative), based upon the Company's total funded debt to adjusted EBITDA ratio (as set forth in the Credit Agreement, the "consolidated net leverage ratio") at such time. In addition, the Company will be required to pay to the lenders a quarterly commitment fee ranging from 0.175% to 0.35% per annum on the average daily unused amount of the Revolver, based upon the Company's consolidated net leverage ratio at such time, and fees relating to the issuance of letters of credit. During the three and nine months ended January 31, 2020, the average interest rate on amounts outstanding under the prior revolver was 2.94% and 3.44%, respectively. During the three and nine months ended January 31, 2019, the average interest rate on amounts outstanding under the prior revolver was 3.64% and 3.42%, respectively.

As of January 31, 2020, there was no outstanding liability under the Revolver compared to \$226.9 million as of April 30, 2019 under the prior revolver. The unamortized debt issuance costs associated with the Credit Agreement was \$4.5 million as of January 31, 2020 and \$4.0 million under the Prior Credit Agreement as of April 30, 2019. As of January 31, 2020 debt issuance costs were included in other current assets and other non-current assets on the balance sheet. As of January 31, 2020, the Company was in compliance with its debt covenants.

The Company had a total of \$646.0 million available under the Revolver after \$4.0 million of standby letters of credit has been issued as of January 31, 2020. The Company had a total of \$420.2 million available under the prior revolver after the Company drew down \$226.9 million and after \$2.9 million of standby letters of credit had been issued as of April 30, 2019. The Company had a total of \$11.1 million and \$8.5 million of standby letters with other financial institutions as of January 31, 2020 and April 30, 2019, respectively. The standby letters of credits were generally issued as a result of entering into office premise leases.

12. Leases

The Company's lease portfolio is comprised of operating leases for office space and equipment and finance leases for equipment. Equipment leases are comprised of vehicles and office equipment. The majority of the Company's leases include both lease and non-lease components. Non-lease components primarily include maintenance, insurance, taxes and other utilities. The Company has decided to combine fixed payments for non-lease components with its lease payments and account for them as a single lease component, which increases its ROU assets and lease liabilities. Some of the leases include one or more options to renew or terminate the lease at the Company's discretion. Generally, the renewal and termination options are not included in the ROU assets and lease liabilities as they are not reasonably certain of exercise. The Company has elected not to recognize a ROU asset or lease liability for leases with an initial term of 12 months or less.

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 the future minimum lease payments. The Company applies the portfolio approach when determining the incremental borrowing rate since it has a centrally managed treasury function. The Company's incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments in a similar economic environment.

Operating leases contain both office and equipment leases, have remaining terms that range from less than one year to 11 years, some of which also include options to extend or terminate the lease. Finance leases are comprised of equipment leases and have remaining terms that range from less than one year to 5 years. Finance lease assets are included in property and equipment, net while finance lease liabilities are included in other accrued liabilities and other liabilities.

As a result of the acquisition of the Acquired Companies, the Company recognized ROU assets of \$3.2 million with a corresponding liability of \$6.7 million. The ROU asset balance was adjusted by reclassification of pre-existing prepaid expenses, restructuring liabilities and deferred rent totaling \$3.5 million. As part of the plan for integrating the Acquired Companies, the Company decided to exit 16 office leases and as a result, recorded an impairment charge of the ROU assets of \$2.3 million recorded in the consolidated statements of income.



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

The components of lease expense were as follows:

	Three Months Ended January 31, 2020	Nine Months Ended January 31, 2020
	(in thousands)	
Finance lease cost		
Amortization of ROU assets	\$ 467	\$ 1,410
Interest on lease liabilities	38	117
	<u>505</u>	<u>1,527</u>
Operating lease cost	15,035	43,428
Short-term lease cost	335	891
Variable lease cost	3,988	10,064
Lease impairment cost	2,282	2,282
Sublease income	(217)	(324)
Total lease cost	<u>\$ 21,928</u>	<u>\$ 57,868</u>

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended January 31, 2020	
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	47,040
Financing cash flows from finance leases	\$	1,426
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$	11,742
Finance leases	\$	1,102

Supplemental balance sheet information related to leases was as follows:

	January 31, 2020	
	(in thousands)	
Finance Leases:		
Property and equipment, at cost	\$	4,825
Accumulated depreciation		(1,367)
Property and equipment, net	<u>\$</u>	<u>3,458</u>
Other accrued liabilities	\$	1,511
Other liabilities		1,996
Total finance lease liabilities	<u>\$</u>	<u>3,507</u>
Weighted average remaining lease terms:		
Operating leases		6.4 years
Finance leases		2.8 years
Weighted average discount rate:		
Operating leases		4.8 %
Finance leases		4.1 %



KORN FERRY AND SUBSIDIARIES
NOTES TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
January 31, 2020 (continued)

Maturities of lease liabilities were as follows:

Year Ending April 30,	Operating	Financing
	(in thousands)	
2020 (excluding the nine months ended January 31, 2020)	\$ 15,993	\$ 456
2021	57,740	1,503
2022	50,324	1,052
2023	43,468	441
2024	40,464	206
Thereafter	77,370	48
Total lease payments	285,359	3,706
Less: imputed interest	37,558	199
Total	<u>\$ 247,801</u>	<u>\$ 3,507</u>

13. Acquisition

On November 1, 2019, the Company completed its acquisition of the Acquired Companies for \$08.6 million, net of cash acquired.

The Acquired Companies contribute a world-class portfolio of learning, development and performance improvement offerings and expertise to Korn Ferry and bolster the Company's substantial leadership development capabilities. The Acquired Companies specialize in transforming sales performance and customer experience, offer frontline leadership development and provide organizational and project management training. These companies are included in the new Digital segment which, working closely with the new Consulting segment, will provide clients with direct access to data, insights and analytics from one of the world's most comprehensive people and organizational databases. The addition of the Acquired Companies further expands Korn Ferry's vast intellectual property and content and leverages the firm's digital delivery platforms. Actual results of operations of the Acquired Companies are included in the Company's consolidated financial statements from November 1, 2019, the effective date of the acquisition.

The following table provides a summary of the net assets acquired:

	(in thousands)
Current assets (1)	\$ 44,475
Long-term assets	16,413
Intangibles assets (2)	45,400
Current liabilities	29,502
Long-term liabilities	5,720
Net assets acquired	<u>71,066</u>
Purchase price	108,602
Goodwill(3)	<u>\$ 37,536</u>

(1) Included in current assets is acquired receivables in the amount of \$41.1 million.

(2) Acquisition-related intangible assets acquired in connection with the acquisition of the Acquired Companies consists of intellectual property, customer relationships and tradenames of \$36.0 million, \$6.2 million, and \$3.2 million, respectively, with weighted-average useful lives from the date of purchase of seven years, ten years, and nine years, respectively.

(3) Tax deductible goodwill from the acquisition was \$37.1 million as of January 31, 2020.

The aggregate purchase price was allocated on a preliminary basis to the assets acquired and liabilities assumed on their estimated fair values at the date of acquisition. As of January 31, 2020, these allocations remain preliminary with regard to income taxes. The measurement period for purchase price allocation ends as soon as information on the facts and circumstances becomes available, not to exceed 12 months.

14. Subsequent Event

Quarterly Dividend Declaration

On March 10, 2020, the Board of Directors of the Company declared a cash dividend of \$0.10 per share with a payment date of April 15, 2020 to holders of the Company's common stock of record at the close of business on March 26, 2020. The declaration and payment of future dividends under the quarterly dividend policy will be at the discretion of the Board of Directors and will depend upon many factors, including the Company's earnings, capital requirements, financial conditions, the terms of the Company's indebtedness and other factors that the Board of Directors may deem to be relevant. The Board of Directors may amend, revoke or suspend the dividend policy at any time and for any reason.



Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "may," "will," "likely," "estimates," "potential," "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals as well as the expected benefits of the acquisition of Miller Heiman Group, AchieveForum and Strategy Execution (collectively, the "Acquired Companies"), the timing and expected benefits of our recently adopted restructuring plan and the potential negative impact of the coronavirus (COVID-19) outbreak on our business, employees, customers and our ability to provide services in affected regions, also are forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statement. The principal risk factors that could cause actual performance and future actions to differ materially from the forward-looking statements include, but are not limited to, changes in demand for our services as a result of automation, dependence on and costs of attracting and retaining qualified and experienced consultants, maintaining our relationships with customers and suppliers and retaining key employees, maintaining our brand name and professional reputation, the expected timing of the consummation of the Plan (as defined below), the impact of the Plan's rebranding on the Company's products and services, potential legal liability and regulatory developments, portability of client relationships, global and local political or economic developments in or affecting countries where we have operations, currency fluctuations in our international operations, risks related to growth, restrictions imposed by off-limits agreements, competition, consolidation of the industries we serve, reliance on information processing systems, cyber security vulnerabilities, changes to data security, data privacy, and data protection laws, dependence on third parties for the execution of critical functions, limited protection of our intellectual property ("IP"), our ability to enhance and develop new technology, our ability to successfully recover from a disaster or other business continuity problems, employment liability risk, an impairment in the carrying value of goodwill and other intangible assets, the effects of the Tax Cuts and Jobs Act (the "Tax Act") and other future changes in tax laws, treaties, or regulations on our business and our company, deferred tax assets that we may not be able to use, our ability to develop new products and services, the impact of the withdrawal of the United Kingdom from the European Union, changes in our accounting estimates and assumptions, alignment of our cost structure, the utilization and billing rates of our consultants, seasonality, expansion of social media platforms, ability to effect acquisition and integrate the Acquired Companies; the ability to recognize the anticipated benefits of the acquisition of the Acquired Companies; the costs related to the acquisition of the Acquired Companies; our indebtedness, the phase-out of LIBOR, the potential negative impact of the coronavirus (COVID-19) outbreak on our business, employees, customers and our ability to provide services in affected regions, and the matters disclosed under the heading "Risk Factors" in the this Quarterly Report on Form 10-Q and in the Company's other Exchange Act reports, including Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2019 ("Form 10-K"). Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

The following presentation of management's discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q. We also make available on the Investor Relations portion of our website earnings slides and other important information, which we encourage you to review.



Executive Summary

Korn Ferry (referred to herein as the “Company,” or in the first-person notations “we,” “our,” and “us”) is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people. We operate through four global segments:

1. **Consulting** helps clients synchronize their strategy and their talent by addressing four fundamental needs: Organizational Strategy, Assessment and Succession, Leadership Development, and Rewards and Benefits. This is supported and underpinned by a comprehensive range of some of the world’s leading IP and data.
2. **Digital** is an integrated platform that gives clients direct access to people and organizational data, insights, analytics and digital assets. It is comprised of individual products that when used together, give clients a common language for all talent matters.
3. **Executive Search** helps organizations recruit board level, chief executive and other senior executive and general management talent. Behavioral interviewing and proprietary assessments are used to determine ideal organizational fit, and salary benchmarking builds appropriate frameworks for compensation and retention.
4. **RPO and Professional Search** combines people, process expertise and IP-enabled technology to deliver enterprise talent acquisition solutions to clients. Transaction sizes range from single professional searches to team, department and line of business projects, and global outsource recruiting solutions.

Consulting and Digital were formerly referred to, and reported together, as Korn Ferry Advisory (“Advisory”). Over the past year we have invested in the digital business in order to digitize and harmonize the structure of our IP content and data and to build a technology platform for the efficient delivery of these assets directly to an end consumer or indirectly through a consultant engagement. These investments combined with the recent acquisitions resulted in reassessing how we manage our Advisory business. Therefore, beginning in the third quarter of fiscal 2020, we separated Advisory into two segments in order to better align with the Company’s strategy (which included the acquisition of the Acquired Companies) and the decisions of the Company’s chief operating decision maker, which has begun to regularly make resource allocation decisions and assess performance separately between Consulting and Digital.

- Approximately 71% of the executive searches we performed in fiscal 2019 were for board level, chief executive and other senior executive and general management positions. Our 3,993 search engagement clients in fiscal 2019 included many of the world’s largest and most prestigious public and private companies.
- We have built strong client loyalty, with 90% of the assignments performed during fiscal 2019 having been on behalf of clients for whom we had conducted assignments in the previous three fiscal years.
- Approximately 70% of our revenues were generated from clients that utilize multiple lines of business.
- A vital pillar of our growth strategy is our Digital business. Our data and IP are embedded into the core business processes of our clients, helping us generate long-term relationships through large scale and technology-based talent programs. We continue to seek ways to scale-up these highly profitable products to our global clients.
- In fiscal 2019, Korn Ferry was recognized as a top five RPO provider in the Baker’s Dozen list, marking our 12th consecutive year on the list. Through decades of experience, we have enhanced our RPO solution to deliver quality candidates that drive our clients’ business strategies. We leverage proprietary IP and data sets to guide clients on the critical skills and competencies to look for, compensation information to align with market demand, and assessment tools to ensure candidate fit.

While most organizations can develop a sound strategy, they often struggle with how to make it stick. That is where we come in: synchronizing an organization’s strategy with its talent to drive superior performance. We help companies design their organization—the structure, roles and responsibilities—to seize these opportunities. In addition, we help organizations select and hire the talent they need to execute their strategy—and show them the best way to compensate, develop and motivate their people.



We do this through our five core solution sets:

Organizational Strategy	We map talent strategy to business strategy by designing operating models and organizational structures that align to them, helping organizations put their plans into action. We make sure they have the right people, in the right roles, engaged and enabled to do the right things.
Assessment and Succession	We provide actionable, research-backed insights that allow organizations to understand the true capabilities of their people so they can make decisions that ensure the right leaders are ready—when and where they are needed—in the future.
Talent Acquisition	From executive search to RPO, we integrate scientific research with our practical experience and industry-specific expertise to recruit professionals of all levels and functions for client organizations.
Leadership Development	We help leaders at all levels of an organization achieve their vision, purpose and strategy. We combine expertise, science and proven techniques with forward thinking and creativity to build leadership experiences that help entry- to senior-level leaders grow and deliver superior results.
Rewards and Benefits	We help organizations design rewards to achieve their strategic objectives. We help them pay their people fairly for doing the right things—with rewards they value—at a cost the organization can afford.

On June 12, 2018, the Company's Board of Directors approved the One Korn Ferry rebranding plan for the Company (the "Plan"). The Plan includes going to market under a single, master brand architecture, solely as Korn Ferry and sunseting all the Company's sub-brands used at that time, including Futurestep, Hay Group and Lominger, among others. This integrated go-to-market approach was a key driver in our fee revenue growth in fiscal year 2018, which led to the decision to further integrate our go-to-market activities under one master brand — Korn Ferry. As a result, the Company discontinued the use of all sub-brands and changed its name, effective January 1, 2019, to "Korn Ferry." Two of the Company's former sub-brands, Hay Group and Lominger, came to Korn Ferry through acquisitions. In connection with the accounting for these acquisitions, \$106.6 million of the purchase price was allocated to indefinite-lived tradename intangible assets. As a result of the decision to discontinue their use, the Company took a one-time, non-cash write-off of tradenames of \$106.6 million during the nine months ended January 31, 2019.

On November 1, 2019, we completed the acquisitions of the Acquired Companies from TwentyEighty, Inc. for \$108.6 million. The addition of the Acquired Companies has further expanded our vast intellectual property and content and leveraged the firm's digital delivery platforms. We have invested in our digital business to digitize and harmonize the structure of our IP content and data and in building a technology platform for the efficient delivery of these assets directly to an end consumer or indirectly through a consulting engagement. These investments combined with the acquisition of the Acquired Companies resulted in reassessing how we manage our Advisory business. On November 1, 2019, we adopted a restructuring plan to rationalize our cost structure to realize the efficiencies and operational improvement that these investments have enabled us to, or positioned us to, realize. The plan impacts both Consulting and Digital and includes the elimination of redundant positions and consolidation of office space. During the three and nine months ended January 31, 2020, we recognized \$18.1 million of restructuring charges associated with severance and recorded \$2.8 million of integration/acquisition costs associated with impairment of 16 office leases. We expect the restructuring actions to be completed by July 31, 2020.

In December 2019, a new strain of the coronavirus (COVID-19) was reported to have spread to over 100 countries, territories or areas worldwide. Initially, the negative business impact of the coronavirus outbreak was most pronounced in the Asia Pacific Region, and in particular China and Hong Kong. In recent weeks and days, however, the impact has become more global. Recently, select governments and companies have implemented social distancing - limiting either travel or in person individual or group face-to-face interaction. The extent to which further, incremental measures are put in place or additional government bodies adopt such measures is unknown. The measures taken to date will impact our business for the fiscal fourth quarter and potentially beyond. We expect that all of our business segments across all of our geographies will be impacted to some degree, but the significance of the impact of the coronavirus outbreak on our business and the duration for which it may have an impact cannot be determined at this time.



The Company currently operates through four global segments. See Note 10—*Segments* in the Notes to Consolidated Unaudited Financial Statements for discussion of the Company's global business segments. The Company evaluates performance and allocates resources based on the chief operating decision maker's review of (1) fee revenue and (2) adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). To the extent that such charges occur, Adjusted EBITDA excludes restructuring charges, integration/acquisition costs, certain separation costs and certain non-cash charges (goodwill, intangible asset and other than temporary impairment). In the three months ended January 31, 2020, Adjusted EBITDA excluded \$18.1 million of restructuring charges, \$6.7 million of integration/acquisition costs and \$1.8 million of separation costs. In the nine months ended January 31, 2020, Adjusted EBITDA excluded \$18.1 million of restructuring charges, \$9.3 million of integration/acquisition costs and \$1.8 million of separation costs. In the nine months ended January 31, 2019, Adjusted EBITDA excluded \$106.6 million of write-off of tradenames related to the Plan and \$6.7 million of integration/acquisition costs.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are non-GAAP financial measures. They have limitations as analytical tools, should not be viewed as a substitute for financial information determined in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"), and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. In addition, they may not necessarily be comparable to non-GAAP performance measures that may be presented by other companies.

Management believes the presentation of these non-GAAP financial measures provides meaningful supplemental information regarding Korn Ferry's performance by excluding certain charges, items of income and other items that may not be indicative of Korn Ferry's ongoing operating results. The use of these non-GAAP financial measures facilitates comparisons to Korn Ferry's historical performance and the identification of operating trends that may otherwise be distorted by the factors discussed above. Korn Ferry includes these non-GAAP financial measures because management believes it is useful to investors in allowing for greater transparency with respect to supplemental information used by management in its evaluation of Korn Ferry's ongoing operations and financial and operational decision-making. The accounting policies for the reportable segments are the same as those described in the summary of significant accounting policies in the accompanying consolidated financial statements, except that the above noted items are excluded from EBITDA to arrive at Adjusted EBITDA. Management further believes that EBITDA is useful to investors because it is frequently used by investors and other interested parties to measure operating performance among companies with different capital structures, effective tax rates and tax attributes and capitalized asset values, all of which can vary substantially from company to company.

Fee revenue was \$515.3 million during the three months ended January 31, 2020, an increase of \$40.8 million, or 9%, compared to \$474.5 million in the three months ended January 31, 2019. Exchange rates unfavorably impacted fee revenue by \$3.1 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. During the three months ended January 31, 2020, we recorded operating income of \$31.6 million, a decrease of \$31.1 million, compared to \$62.7 million in the three months ended January 31, 2019, with the Executive Search, RPO & Professional Search, Digital and Consulting segments contributing \$32.7 million, \$14.1 million, \$8.5 million, and \$2.7 million, respectively, offset by Corporate expenses of \$26.4 million. Net income attributable to Korn Ferry in the three months ended January 31, 2020 was \$20.0 million, a decrease of \$25.0 million as compared to \$45.0 million in the year-ago quarter. During the three months ended January 31, 2020, Adjusted EBITDA was \$78.1 million, an increase of \$0.4 million, compared to \$77.7 million in the year-ago quarter, with the Executive Search, Digital, Consulting and RPO & Professional Search segments contributing \$40.7 million, \$25.9 million, \$18.7 million and \$15.2 million, respectively, offset by Corporate expenses, net of other income of \$22.3 million.

Our cash, cash equivalents and marketable securities decreased by \$18.6 million to \$748.5 million at January 31, 2020, compared to \$767.1 million at April 30, 2019. This decrease was mainly due to annual bonuses earned in fiscal 2019 and paid during the first quarter of fiscal 2020, sign-on and retention payments, \$108.6 million paid for the acquisition of the Acquired Companies, \$68.1 million for stock repurchases in the open market, \$33.8 million in payments for the purchase of property and equipment, and \$17.3 million in dividends paid during the nine months ended January 31, 2020. These decreases were substantially offset by cash flows from operations and an increase in net borrowings of \$180.7 million as a result of our note offering and borrowings under our credit agreement (discussed further below). As of January 31, 2020, we held marketable securities to settle obligations under our Executive Capital Accumulation Plan ("ECAP") with a cost value of \$143.9 million and a fair value of \$151.6 million. Our vested obligations for which these assets were held in trust totaled \$135.7 million as of January 31, 2020 and our unvested obligations totaled \$23.2 million.

Our working capital increased by \$50.8 million to \$636.7 million as of January 31, 2020, as compared to \$585.9 million at April 30, 2019. We believe that cash on hand and funds from operations and other forms of liquidity will be sufficient to meet our anticipated working capital, capital expenditures, general corporate requirements, repayment of the debt obligations and dividend payments under our dividend policy in the next twelve months. We had \$646.0 million and \$420.2 million available for borrowing under our current and prior revolving lines at January 31, 2020 and April 30, 2019, respectively. As of January 31, 2020 and April 30, 2019, there was \$4.0 million and \$2.9 million of standby letters of credit issued, respectively, under our credit agreements. We had a total of \$11.1 million and \$8.5 million of standby letters of credits with other financial institutions as of January 31, 2020 and April 30, 2019, respectively.



Results of Operations

The following table summarizes the results of our operations as a percentage of fee revenue:
(Numbers may not total exactly due to rounding)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2020	2019	2020	2019
Fee revenue	100.0 %	100.0 %	100.0 %	100.0 %
Reimbursed out-of-pocket engagement expenses	2.5	2.5	2.4	2.5
Total revenue	102.5	102.5	102.4	102.5
Compensation and benefits	67.6	67.8	68.0	68.2
General and administrative expenses	13.8	12.9	13.3	20.0
Reimbursed expenses	2.5	2.5	2.4	2.5
Cost of services	6.0	3.6	4.4	3.8
Depreciation and amortization	2.9	2.5	2.7	2.4
Restructuring charges, net	3.5	—	1.2	—
Operating income	6.1	13.2	10.3	5.5
Net income	4.1 %	9.6 %	7.2 %	3.8 %
Net income attributable to Korn Ferry	3.9 %	9.5 %	7.1 %	3.6 %

The operating results prior to November 1, 2019 have been revised to conform to the new segment reporting.

The following tables summarize the results of our operations by business segment:
(Numbers may not total exactly due to rounding)

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2020		2019		2020		2019	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
	(dollars in thousands)							
Fee revenue								
Consulting	\$ 140,525	27.3 %	\$ 139,029	29.3 %	\$ 422,103	28.3 %	\$ 423,958	29.5 %
Digital	99,389	19.3	62,473	13.2	223,097	15.0	190,008	13.2
Executive Search:								
North America	106,888	20.7	114,215	24.1	332,428	22.3	342,175	23.8
EMEA	44,301	8.6	45,940	9.7	130,652	8.8	137,522	9.6
Asia Pacific	25,089	4.9	25,687	5.4	78,395	5.3	79,918	5.6
Latin America	7,283	1.4	7,554	1.6	23,140	1.6	24,339	1.7
Total Executive Search	183,561	35.6	193,396	40.8	564,615	37.8	583,954	40.7
RPO & Professional Search	91,850	17.8	79,606	16.8	282,448	18.9	237,357	16.5
Total fee revenue	515,325	100.0 %	474,504	100.0 %	1,492,263	100.0 %	1,435,277	100.0 %
Reimbursed out-of-pocket engagement expense	12,654		11,668		36,091		36,050	
Total revenue	\$ 527,979		\$ 486,172		\$ 1,528,354		\$ 1,471,327	

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2020		2019		2020		2019	
	Dollars	Margin (1)	Dollars	Margin (1)	Dollars	Margin (1)	Dollars	Margin (1)
	(dollars in thousands)							
Operating income (loss)								
Consulting	\$ 2,663	1.9 %	\$ 11,782	8.5 %	\$ 24,272	5.8 %	\$ (47,431)	(11.2 %)
Digital	8,463	8.5	17,497	28.0	41,036	18.4	23,057	12.1
Executive Search:								
North America	21,808	20.4	30,596	26.8	80,254	24.1	92,438	27.0
EMEA	4,644	10.5	7,525	16.4	18,466	14.1	21,813	15.9
Asia Pacific	5,070	20.2	5,929	23.1	17,866	22.8	19,337	24.2
Latin America	1,198	16.4	653	8.6	2,999	13.0	3,460	14.2
Total Executive Search	32,720	17.8	44,703	23.1	119,585	21.2	137,048	23.5
RPO & Professional Search	14,144	15.4	12,176	15.3	44,279	15.7	36,337	15.3
Corporate	(26,395)		(23,475)		(75,374)		(70,460)	
Total operating income	\$ 31,595	6.1 %	\$ 62,683	13.2 %	\$ 153,798	10.3 %	\$ 78,551	5.5 %



(1) Margin calculated as a percentage of fee revenue by business segment.

	Three Months Ended January 31, 2020									
	Executive Search							RPO & Professional Search	Corporate	Consolidated
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal			
	(in thousands)									
Fee revenue	\$ 140,525	\$ 99,389	\$ 106,888	\$ 44,301	\$ 25,089	\$ 7,283	\$ 183,561	\$ 91,850	\$ —	\$ 515,325
Total revenue	\$ 144,298	\$ 100,663	\$ 110,230	\$ 45,077	\$ 25,365	\$ 7,351	\$ 188,023	\$ 94,995	\$ —	\$ 527,979
Net income attributable to Korn Ferry										\$ 19,993
Net income attributable to noncontrolling interest										963
Other income, net										(5,055)
Interest expense, net										6,919
Income tax provision										8,775
Operating income (loss)	\$ 2,663	\$ 8,463	\$ 21,808	\$ 4,644	\$ 5,070	\$ 1,198	\$ 32,720	\$ 14,144	\$ (26,395)	\$ 31,595
Depreciation and amortization	4,417	5,832	847	422	329	295	1,893	979	1,742	14,863
Other income (loss), net	558	193	3,963	29	106	162	4,260	88	(44)	5,055
EBITDA	7,638	14,488	26,618	5,095	5,505	1,655	38,873	15,211	(24,697)	51,513
Integration/acquisition costs	—	4,332	—	—	—	—	—	—	2,372	6,704
Restructuring, charges, net	11,061	7,032	—	—	—	—	—	—	—	18,093
Separation costs	—	—	—	1,783	—	—	1,783	—	—	1,783
Adjusted EBITDA	\$ 18,699	\$ 25,852	\$ 26,618	\$ 6,878	\$ 5,505	\$ 1,655	\$ 40,656	\$ 15,211	\$ (22,325)	\$ 78,093
Operating margin	1.9 %	8.5 %	20.4 %	10.5 %	20.2 %	16.4 %	17.8 %	15.4 %	—	6.1 %
Adjusted EBITDA margin	13.3 %	26.0 %	24.9 %	15.5 %	21.9 %	22.7 %	22.1 %	16.6 %	—	15.2 %

	Three Months Ended January 31, 2019									
	Executive Search							RPO & Professional Search	Corporate	Consolidated
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal			
	(in thousands)									
Fee revenue	\$ 139,029	\$ 62,473	\$ 114,215	\$ 45,940	\$ 25,687	\$ 7,554	\$ 193,396	\$ 79,606	\$ —	\$ 474,504
Total revenue	\$ 143,204	\$ 62,473	\$ 117,725	\$ 46,639	\$ 26,046	\$ 7,573	\$ 197,983	\$ 82,512	\$ —	\$ 486,172
Net income attributable to Korn Ferry										\$ 44,964
Net income attributable to noncontrolling interest										480
Other income, net										(2,463)
Interest expense, net										4,282
Income tax provision										15,420
Operating income (loss)	\$ 11,782	\$ 17,497	\$ 30,596	\$ 7,525	\$ 5,929	\$ 653	\$ 44,703	\$ 12,176	\$ (23,475)	\$ 62,683
Depreciation and amortization	4,001	3,306	970	402	338	97	1,807	803	1,824	11,741
Other income (loss), net	582	204	1,626	26	(134)	133	1,651	77	(51)	2,463
EBITDA	16,365	21,007	33,192	7,953	6,133	883	48,161	13,056	(21,702)	76,887
Integration/acquisition costs	650	127	—	—	—	—	—	—	27	804
Adjusted EBITDA	\$ 17,015	\$ 21,134	\$ 33,192	\$ 7,953	\$ 6,133	\$ 883	\$ 48,161	\$ 13,056	\$ (21,675)	\$ 77,691
Operating margin	8.5 %	28.0 %	26.8 %	16.4 %	23.1 %	8.6 %	23.1 %	15.3 %	—	13.2 %
Adjusted EBITDA margin	12.2 %	33.8 %	29.1 %	17.3 %	23.9 %	11.7 %	24.9 %	16.4 %	—	16.4 %



Nine Months Ended January 31, 2020										
Executive Search										
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal	RPO & Professional Search	Corporate	Consolidated
(in thousands)										
Fee revenue	\$ 422,103	\$ 223,097	\$ 332,428	\$ 130,652	\$ 78,395	\$ 23,140	\$ 564,615	\$ 282,448	\$ —	\$ 1,492,263
Total revenue	\$ 433,832	\$ 224,371	\$ 342,753	\$ 132,830	\$ 79,201	\$ 23,211	\$ 577,995	\$ 292,156	\$ —	\$ 1,528,354
Net income attributable to Korn Ferry										\$ 105,748
Net income attributable to noncontrolling interest										1,890
Other income, net										(8,014)
Interest expense, net										15,186
Income tax provision										38,988
Operating income (loss)	\$ 24,272	\$ 41,036	\$ 80,254	\$ 18,466	\$ 17,866	\$ 2,999	\$ 119,585	\$ 44,279	\$ (75,374)	153,798
Depreciation and amortization	13,188	13,156	2,617	1,328	1,004	938	5,887	2,961	5,163	40,355
Other income (loss), net	1,469	528	5,740	148	193	249	6,330	216	(529)	8,014
EBITDA	38,929	54,720	88,611	19,942	19,063	4,186	131,802	47,456	(70,740)	202,167
Integration/acquisition costs	—	4,332	—	—	—	—	—	—	4,987	9,319
Restructuring charges, net	11,061	7,032	—	—	—	—	—	—	—	18,093
Separation costs	—	—	—	1,783	—	—	1,783	—	—	1,783
Adjusted EBITDA	\$ 49,990	\$ 66,084	\$ 88,611	\$ 21,725	\$ 19,063	\$ 4,186	\$ 133,585	\$ 47,456	\$ (65,753)	\$ 231,362
Operating margin	5.8 %	18.4 %	24.1 %	14.1 %	22.8 %	13.0 %	21.2 %	15.7 %	—	10.3 %
Adjusted EBITDA margin	11.8 %	29.6 %	26.7 %	16.6 %	24.3 %	18.1 %	23.7 %	16.8 %	—	15.5 %

Nine Months Ended January 31, 2019										
Executive Search										
	Consulting	Digital	North America	EMEA	Asia Pacific	Latin America	Subtotal	RPO & Professional Search	Corporate	Consolidated
(in thousands)										
Fee revenue	\$ 423,958	\$ 190,008	\$ 342,175	\$ 137,522	\$ 79,918	\$ 24,339	\$ 583,954	\$ 237,357	\$ —	\$ 1,435,277
Total revenue	\$ 437,235	\$ 190,008	\$ 352,804	\$ 140,024	\$ 80,817	\$ 24,388	\$ 598,033	\$ 246,051	\$ —	\$ 1,471,327
Net income attributable to Korn Ferry										\$ 52,387
Net income attributable to noncontrolling interest										1,782
Other income, net										(2,483)
Interest expense, net										12,722
Income tax provision										14,143
Operating income (loss)	\$ (47,431)	\$ 23,057	\$ 92,438	\$ 21,813	\$ 19,337	\$ 3,460	\$ 137,048	\$ 36,337	\$ (70,460)	78,551
Depreciation and amortization	12,219	9,483	2,917	867	1,083	305	5,172	2,325	5,291	34,490
Other income (loss), net	1,107	514	1,146	388	118	263	1,915	103	(1,156)	2,483
EBITDA	(34,105)	33,054	96,501	23,068	20,538	4,028	144,135	38,765	(66,325)	115,524
Integration/acquisition costs	5,304	1,255	—	—	—	—	—	—	187	6,746
Tradenname write-offs	76,967	29,588	—	—	—	—	—	—	—	106,555
Adjusted EBITDA	\$ 48,166	\$ 63,897	\$ 96,501	\$ 23,068	\$ 20,538	\$ 4,028	\$ 144,135	\$ 38,765	\$ (66,138)	\$ 228,825
Operating margin	(11.2 %)	12.1 %	27.0 %	15.9 %	24.2 %	14.2 %	23.5 %	15.3 %	—	5.5 %
Adjusted EBITDA margin	11.4 %	33.6 %	28.2 %	16.8 %	25.7 %	16.5 %	24.7 %	16.3 %	—	15.9 %

Three Months Ended January 31, 2020 Compared to Three Months Ended January 31, 2019

Fee Revenue

Fee Revenue. Fee revenue increased by \$40.8 million, or 9%, to \$515.3 million in the three months ended January 31, 2020 compared to \$474.5 million in the year-ago quarter. Exchange rates unfavorably impacted fee revenue by \$3.1 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. The higher fee revenue was attributable to fee revenue generated by the Acquired Companies and the increase in fee revenue in RPO & Professional Search, partially offset by a decline in Executive Search fee revenue.

Consulting. Consulting reported fee revenue of \$140.5 million, an increase of \$1.5 million, or 1%, in the three months ended January 31, 2020 compared to \$139.0 million in the year-ago quarter. Exchange rates unfavorably impacted fee revenue by \$0.8 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter.

Digital. Digital reported fee revenue of \$99.4 million, an increase of \$36.9 million, or 59%, in the three months ended January 31, 2020 compared to \$62.5 million in the year-ago quarter. The higher fee revenue was primarily attributable to fee revenue generated by the Acquired Companies. Exchange rates unfavorably impacted fee revenue by \$0.7 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter.



Executive Search. Executive Search reported fee revenue of \$183.6 million, a decrease of \$9.8 million, or 5% in the three months ended January 31, 2020 compared to \$193.4 million in the year-ago quarter. Exchange rates unfavorably impacted fee revenue by \$1.0 million, or 1% in the three months ended January 31, 2020 compared to the year-ago quarter. As detailed below, there was lower fee revenue in all regions in the three months ended January 31, 2020 as compared to the year-ago quarter. The overall decrease in fee revenue was driven by decreases in fee revenue from the technology, financial services and industrial sectors.

North America reported fee revenue of \$106.9 million, a decrease of \$7.3 million, or 6%, in the three months ended January 31, 2020 compared to \$114.2 million in the year-ago quarter. The decrease in fee revenue was due to a 4% decrease in the number of engagements billed and a 3% decrease in the weighted-average fee billed per engagement (calculated using local currency) during the three months ended January 31, 2020 compared to the year-ago quarter.

Europe, the Middle East, and Africa ("EMEA") reported fee revenue of \$44.3 million, a decrease of \$1.6 million, or 3%, in the three months ended January 31, 2020 compared to \$45.9 million in the year-ago quarter. The decrease in fee revenue was due to a 4% decrease in the weighted-average fee billed per engagement (calculated using local currency), partially offset by a 2% increase in the number of engagements billed during the three months ended January 31, 2020 compared to the year-ago quarter. The performance in Germany and United Arab Emirates were the primary contributors to the decrease in fee revenue, partially offset by increases in the United Kingdom in the three months ended January 31, 2020 compared to the year-ago quarter.

Asia Pacific reported fee revenue of \$25.1 million, a decrease of \$0.6 million, or 2%, in the three months ended January 31, 2020 compared to \$25.7 million in the year-ago quarter. The decrease in fee revenue was due to a 10% decrease in the number of engagements billed, offset by a 9% increase in the weighted-average fees billed per engagement (calculated using local currency) during the three months ended January 31, 2020 compared to the year-ago quarter. The performance in Australia and Hong Kong were the primary contributors to the decrease in fee revenue, partially offset by an increase in fee revenue in Japan in the three months ended January 31, 2020 compared to the year-ago quarter.

Latin America reported fee revenue of \$7.3 million, a decrease of \$0.3 million, or 4%, in the three months ended January 31, 2020 compared to \$7.6 million in the year-ago quarter. The decrease in fee revenue in the region was due to lower fee revenue in Brazil, partially offset by higher fee revenue in Mexico in the three months ended January 31, 2020 compared to the year-ago quarter.

RPO & Professional Search. RPO & Professional Search reported fee revenue of \$91.9 million, an increase of \$12.3 million, or 15%, in the three months ended January 31, 2020 compared to \$79.6 million in the year-ago quarter. Exchange rates unfavorably impacted fee revenue by \$0.6 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. Higher fee revenues in RPO of \$9.1 million and Professional Search of \$3.2 million, respectively, drove the increase in fee revenue.

Compensation and Benefits

Compensation and benefits expense increased by \$26.8 million, or 8%, to \$348.6 million in the three months ended January 31, 2020 from \$321.8 million in the year-ago quarter. Exchange rates favorably impacted compensation and benefits by \$2.0 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. The increase in compensation and benefits expense was primarily due to higher salaries and related payroll taxes due to a 10% increase in average headcount, both of which were mainly due to the Acquired Companies, as well as an increase in amounts owed under certain deferred compensation and retirement plans. Those increases were driven by increases in the fair value of participants' accounts in the three months ended January 31, 2020 compared to the year-ago quarter.

Consulting compensation and benefits expense decreased by \$1.6 million, or 2%, to \$93.5 million in the three months ended January 31, 2020 from \$95.1 million in the year-ago quarter. Exchange rates favorably impacted compensation and benefits by \$0.7 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. The decrease in compensation and benefits expense was due to a lower performance-related bonus expense in the three months ended January 31, 2020 compared to the year-ago quarter. Consulting compensation and benefits expense, as a percentage of fee revenue, decreased to 67% in the three months ended January 31, 2020 from 68% in the year-ago quarter.

Digital compensation and benefits expense increased by \$15.4 million, or 47% to \$48.2 million in the three months ended January 31, 2020 from \$32.8 million in the year-ago quarter. Exchange rates favorably impacted compensation and benefits by \$0.2 million, or 1% in the three months ended January 31, 2020 compared to the year-ago quarter. The increase in compensation and benefits expense was due to an increase in average headcount of 16% driven by the acquisition of the Acquired Companies. This was partially offset by a reduction in headcount from the elimination of redundant positions as part of the restructuring plan. Digital compensation and benefits expense, as a percentage of fee revenue, decreased to 49% in the three months ended January 31, 2020 from 53% in the year-ago quarter.



Executive Search compensation and benefits expense increased by \$3.8 million, or 3%, to \$128.7 million in the three months ended January 31, 2020 from \$124.9 million in the year-ago quarter. Exchange rates favorably impacted compensation and benefits by \$0.6 million, in the three months ended January 31, 2020 compared to the year-ago quarter. The increase in compensation and benefits expense was due to an increase in expenses associated with our deferred compensation and retirement plans (including the increases in the fair value of participants' accounts) driven by increases in the fair value of participants' accounts in the three months ended January 31, 2020 compared to the year-ago quarter. Executive Search compensation and benefits expense, as a percentage of fee revenue, increased to 70% in the three months ended January 31, 2020 from 65% in the year-ago quarter.

RPO & Professional Search compensation and benefits expense increased by \$9.6 million, or 17%, to \$65.9 million in the three months ended January 31, 2020 from \$56.3 million in the year-ago quarter. Exchange rates favorably impacted compensation and benefits by \$0.4 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. The increase was due to a 24% increase in the average headcount in the three months ended January 31, 2020 compared to the year-ago quarter. The higher average headcount was driven by the need to service an increase in fee revenue in the RPO business. RPO & Professional Search compensation and benefits expense, as a percentage of fee revenue, increased to 72% in the three months ended January 31, 2020 from 71% in the year-ago quarter.

Corporate compensation and benefits expense was essentially flat in the three months ended January 31, 2020 when compared to the year-ago quarter.

General and Administrative Expenses

General and administrative expenses were \$71.4 million, an increase of \$10.2 million, or 17%, in the three months ended January 31, 2020 compared to the year-ago quarter. Exchange rates favorably impacted general and administrative expenses by \$0.8 million, or 1%, in the three months ended January 31, 2020 compared to the year-ago quarter. The increase in general and administrative expenses was due to higher marketing and business development expenses, premise and office expenses and integration/acquisition costs. General and administrative expenses, as a percentage of fee revenue, were 14% in the three months ended January 31, 2020 compared to 13% in the year-ago quarter.

Consulting general and administrative expenses were \$16.7 million in both the three months ended January 31, 2020 and 2019. Consulting general and administrative expenses, as a percentage of fee revenue, were 12% for both the three months ended January 31, 2020 and 2019.

Digital general and administrative expenses were \$15.0 million in the three months ended January 31, 2020 compared to \$6.8 million in the year-ago quarter. The increase of \$8.2 million was mainly due to the Acquired Companies, which resulted in increases to premise and office expenses and integration/acquisition costs. A portion of the premise and office expenses was due to the impairment of 16 office leases which were terminated in connection the integration plan of the Acquired Companies. Digital general and administrative expenses, as a percentage of fee revenue, increased to 15% in the three months ended January 31, 2020 from 11% in the year-ago quarter.

Executive Search general and administrative expenses were \$19.2 million, a decrease of \$2.4 million, or 11% in the three months ended January 31, 2020 compared to \$21.6 million in the year-ago quarter. The decrease was mainly due to decreases in bad debt expense, other travel related expenses and foreign exchange loss. Executive Search general and administrative expenses, as a percentage of fee revenue, decreased to 10% in the three months ended January 31, 2020 from 11% in the year-ago quarter.

RPO & Professional Search general and administrative expenses were \$8.0 million in the three months ended January 31, 2020 compared to \$7.1 million in the year-ago quarter. The increase was primarily due to higher premise and office expenses and an increase in marketing and business development expenses. RPO & Professional Search general and administrative expenses, as a percentage of fee revenue, were 9% for both the three months ended January 31, 2020 and 2019.

Corporate general and administrative expenses increased \$3.5 million, or 39%, to \$12.4 million in the three months ended January 31, 2020 compared to \$8.9 million in the year-ago quarter. The increase was primarily due to an increase in marketing and business development expenses and integration/acquisition costs related to the Acquired Companies during the three months ended January 31, 2020 compared to the year-ago quarter.

Cost of Services Expense

Cost of services expense consists primarily of contractor and product costs related to the delivery of various services and products, primarily in RPO & Professional Search, Consulting and Digital. Cost of services expense increased by \$13.7 million, or 80% to \$30.8 million in the three months ended January 31, 2020 compared to \$17.1 million in the year-ago quarter. The increase was due to the Acquired Companies. Cost of services expense, as a percentage of fee revenue, increased to 6% in the three months ended January 31, 2020 from 4% in the three months ended January 31, 2019.



Depreciation and Amortization Expenses

Depreciation and amortization expenses were \$14.9 million, an increase of \$3.2 million, or 27%, in the three months ended January 31, 2020 compared to \$11.7 million in the year-ago quarter. The increase related primarily to the Acquired Companies and technology investments made in the current and prior year in software and computer equipment, as well as increases in leasehold improvements and furniture and fixtures.

Restructuring Charges, Net

During the three months ended January 31, 2020, we implemented a restructuring plan in order to eliminate redundant positions that were created due to the investments made in our digital business and the acquisition of the Acquired Companies. As a result, we recorded restructuring charges of \$18.1 million of severance costs during the three months ended January 31, 2020. There were no restructuring charges, net during the three months ended January 31, 2019.

Operating Income

Operating income decreased by \$31.1 million, or 50%, to \$31.6 million in the three months ended January 31, 2020 compared to \$62.7 million in the year-ago quarter. The decrease in operating income was primarily driven by increases in restructuring charges, net, cost of services expense, compensation and benefits expense and general and administrative expenses, partially offset by an increase in fee revenue.

Consulting operating income was \$2.7 million in the three months ended January 31, 2020, a decrease of \$9.1 million, or 77%, as compared to \$11.8 million in the year-ago quarter. The decrease in Consulting operating income was mainly driven by restructuring charges, net incurred in the three months ended January 31, 2020. Consulting operating income, as a percentage of fee revenue, was 2% and 8% in the three months ended January 31, 2020 and 2019, respectively.

Digital operating income was \$8.5 million in the three months ended January 31, 2020, a decrease of \$9.0 million, or 51%, as compared to \$17.5 million in the year-ago quarter. The decrease in Digital operating income was mainly driven by restructuring charges, net, and increases in compensation and benefits expense, cost of services expense and general and administrative expenses, offset by an increase in fee revenue, mainly due to the Acquired Companies. Digital operating income, as a percentage of fee revenue, was 9% and 28% in the three months ended January 31, 2020 and 2019, respectively.

Executive Search operating income decreased \$12.0 million, or 27%, to \$32.7 million in the three months ended January 31, 2020 as compared to \$44.7 million in the year-ago quarter. The decrease in Executive Search operating income was mainly driven by lower fee revenue and an increase in compensation and benefits expense, including \$1.8 million in separation charges. Executive Search operating income, as a percentage of fee revenue, was 18% and 23% in the three months ended January 31, 2020 and 2019, respectively.

RPO & Professional Search operating income was \$14.1 million, an increase of \$1.9 million, or 16%, in the three months ended January 31, 2020 as compared to \$12.2 million in the year-ago quarter. The increase in operating income was mainly driven by higher fee revenue, offset by increases in compensation and benefits expense and general and administrative expenses. RPO & Professional Search operating income, as a percentage of fee revenue, was 15% in both the three months ended January 31, 2020 and 2019.

Net Income Attributable to Korn Ferry

Net income attributable to Korn Ferry decreased by \$25.0 million, or 56%, to \$20.0 million in the three months ended January 31, 2020 as compared to \$45.0 million in the year-ago quarter. The decrease was primarily due to restructuring charges, net of \$18.1 million and increases in compensation and benefits expense, cost of service expense and general and administrative expenses of \$26.8 million, \$13.7 million and \$10.2 million, respectively. This was partially offset by an increase in fee revenue of \$40.8 million during the three months ended January 31, 2020 compared to the year-ago quarter. Net income attributable to Korn Ferry, as a percentage of fee revenue, was 4% in the three months ended January 31, 2020 as compared to 9% in the three months ended January 31, 2019.

Adjusted EBITDA

Adjusted EBITDA increased by \$0.4 million, or 1%, to \$78.1 million in the three months ended January 31, 2020 as compared to \$77.7 million in the year-ago quarter. Adjusted EBITDA, as a percentage of fee revenue, was 15% in the three months ended January 31, 2020 compared to 16% in the year-ago quarter.

Consulting Adjusted EBITDA was \$18.7 million in the three months ended January 31, 2020, an increase of \$1.7 million, or 10%, as compared to \$17.0 million in the year-ago quarter. This increase was driven by higher fee revenue. Consulting Adjusted EBITDA, as a percentage of fee revenue, was 13% and 12% in the three months ended January 31, 2020 and 2019, respectively.



Digital Adjusted EBITDA was \$25.9 million in the three months ended January 31, 2020, an increase of \$4.8 million, or 23% as compared to \$21.1 million in the year-ago quarter. This increase was driven by higher fee revenue, partially offset by increases in compensation and benefits expense, cost of service expense and general and administrative expenses during the three months ended January 31, 2020 compared to the year-ago quarter. Digital Adjusted EBITDA, as a percentage of fee revenue, was 26% and 34% in the three months ended January 31, 2020 and 2019, respectively.

Executive Search Adjusted EBITDA decreased \$7.5 million, or 16%, to \$40.7 million in the three months ended January 31, 2020 as compared to \$48.2 million in the year-ago quarter. The decrease was mainly driven by a decline in fee revenue, partially offset by a decrease in general and administrative expenses during the three months ended January 31, 2020 compared to the year-ago quarter. Executive Search Adjusted EBITDA, as a percentage of fee revenue, was 22% and 25% in the three months ended January 31, 2020 and 2019, respectively.

RPO & Professional Search Adjusted EBITDA was \$15.2 million in the three months ended January 31, 2020, an increase of \$2.1 million, or 16%, as compared to \$13.1 million in the year-ago quarter. The increase was driven by higher fee revenue, offset by increases in compensation and benefits expense and general and administrative expenses during the three months ended January 31, 2020 compared to the year-ago quarter. RPO & Professional Search Adjusted EBITDA, as a percentage of fee revenue, was 17% and 16% in the three months ended January 31, 2020 and 2019, respectively.

Other Income, Net

Other income, net was \$5.1 million in the three months ended January 31, 2020 compared to \$2.5 million in the year-ago quarter. The difference was primarily due to larger gains from the fair value of our marketable securities. These gains were offset by the increases in our deferred compensation liability that are recorded in compensation and benefits expense during the three months ended January 31, 2020 compared to the year-ago quarter.

Interest Expense, Net

Interest expense, net primarily relates to our 4.625% Senior Unsecured Notes due 2027 (the "Notes") issued in December 2019, our prior credit agreement and borrowings under company-owned life insurance ("COLI") policies, which are partially offset by interest earned on cash and cash equivalent balances. Interest expense, net was \$6.9 million in the three months ended January 31, 2020 compared to \$4.3 million in the year-ago quarter. The increase in interest expense, net was related to the newly issued Notes, which have a higher interest rate and a higher principal balance than the revolver under our prior credit agreement.

Income Tax Provision

The provision for income tax was \$8.8 million in the three months ended January 31, 2020 compared to \$15.4 million in the year-ago quarter. This reflects a 29.5% and 25.3% effective tax rate for the three months ended January 31, 2020 and 2019, respectively. In both periods, the Company's effective tax rate was higher than the U.S. federal statutory rate of 21.0%, primarily due to the impact of U.S. state income taxes and the recognition of taxable income outside the U.S. at higher statutory rates.

Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interest represents the portion of a subsidiary's net earnings that are attributable to shares of a subsidiary not held by Korn Ferry that are included in the consolidated results of operations. Net income attributable to noncontrolling interest for the three months ended January 31, 2020 was \$1.0 million as compared to \$0.5 million the three months ended January 31, 2019.

Nine Months Ended January 31, 2020 Compared to Nine Months Ended January 31, 2019

Fee Revenue

Fee Revenue. Fee revenue increased by \$57.0 million, or 4%, to \$1,492.3 million in the nine months ended January 31, 2020 compared to \$1,435.3 million in the year-ago period. Exchange rates unfavorably impacted fee revenue by \$24.0 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period. The higher fee revenue was attributable to fee revenue generated by the Acquired Companies and growth in RPO & Professional Search, offset by decreases in Executive Search and Consulting.

Consulting. Consulting reported fee revenue of \$422.1 million, a decrease of \$1.9 million, in the nine months ended January 31, 2020 compared to \$424.0 million in the year-ago period. Exchange rates unfavorably impacted fee revenue by \$7.2 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period.

Digital. Digital reported fee revenue of \$223.1 million, an increase of \$33.1 million, or 17%, in the nine months ended January 31, 2020 compared to \$190.0 million in the year-ago period. The higher fee revenue was primarily attributable to fee revenue generated by the Acquired Companies. Exchange rates unfavorably impacted fee revenue by \$4.3 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period.



Executive Search. Executive Search reported fee revenue of \$564.6 million, a decrease of \$19.4 million, or 3%, in the nine months ended January 31, 2020 compared to \$584.0 million in the year-ago period. Exchange rates unfavorably impacted fee revenue by \$8.0 million, or 1%, in the nine months ended January 31, 2020 compared to the year-ago period. As detailed below, Executive Search fee revenue was lower in all regions in the nine months ended January 31, 2020 as compared to the year-ago period. The overall decrease in fee revenue was driven by decreases in fee revenue from technology, financial services, consumer, education/non-profit and industrial sectors.

North America reported fee revenue of \$332.4 million, a decrease of \$9.8 million, or 3%, in the nine months ended January 31, 2020 compared to \$342.2 million in the year-ago period. North America's fee revenue was lower due to a 4% decrease in the number of engagements billed, offset by a 1% increase in the weighted-average fees billed per engagement (calculated using local currency) during the nine months ended January 31, 2020 compared to the year-ago period.

EMEA reported fee revenue of \$130.7 million, a decrease of \$6.8 million, or 5%, in the nine months ended January 31, 2020 compared to \$137.5 million in the year-ago period. The change in fee revenue was due to a 4% decrease in the weighted-average fees billed per engagement (calculated using local currency), offset by a 2% increase in the number of engagements billed during the nine months ended January 31, 2020 compared to the year-ago period. The performance in the United Kingdom, Germany, Sweden, Norway, and Switzerland were the primary contributors to the decrease in fee revenue, partially offset by increases in fee revenue in Italy in the nine months ended January 31, 2020 compared to the year-ago period.

Asia Pacific reported fee revenue of \$78.4 million, a decrease of \$1.5 million, or 2%, in the nine months ended January 31, 2020 compared to \$79.9 million in the year-ago period. The rest of the change in fee revenue was due to a 1% increase in the number of engagements billed during the nine months ended January 31, 2020 compared to the year-ago period. The performance in Australia, China, and Taiwan were the primary contributors to the decrease in fee revenue, partially offset by increases in fee revenue in Singapore and Japan in the nine months ended January 31, 2020 compared to the year-ago period.

Latin America reported fee revenue of \$23.1 million, a decrease of \$1.2 million, or 5%, in the nine months ended January 31, 2020 compared to \$24.3 million in the year-ago period. The decrease in fee revenue in the region was due to lower fee revenue in Brazil and Colombia in the nine months ended January 31, 2020 compared to the year-ago period, partially offset by higher fee revenue in Chile.

RPO & Professional Search. RPO & Professional Search reported fee revenue of \$282.4 million, an increase of \$45.0 million, or 19%, in the nine months ended January 31, 2020 compared to \$237.4 million in the year-ago period. Exchange rates unfavorably impacted fee revenue by \$4.4 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period. Higher fee revenues in RPO of \$32.5 million and Professional Search of \$12.5 million, respectively, drove the increase in fee revenue.

Compensation and Benefits

Compensation and benefits expense increased \$34.9 million, or 4%, to \$1,014.5 million in the nine months ended January 31, 2020 from \$979.6 million in the year-ago period. Exchange rates favorably impacted compensation and benefits by \$15.3 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period. The increase in compensation and benefits was primarily due to a 11% increase in average headcount, which contributed to higher salaries and related payroll taxes and an increase in expenses associated with our deferred compensation and retirement plans driven by increases in the fair value of participants' accounts, offset by a lower performance related bonus expense and a decrease in integration/acquisition costs for the nine months ended January 31, 2020 compared to the year-ago period.

Consulting compensation and benefits expense decreased by \$8.5 million, or 3%, to \$286.2 million in the nine months ended January 31, 2020 from \$294.7 million in the year-ago period. Exchange rates favorably impacted compensation and benefits by \$5.4 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period. The change was primarily due to a lower performance-related bonus expense and a decrease in integration/acquisition costs, offset by higher salaries and related payroll taxes driven by a 3% increase in the average number of consultants. Consulting compensation and benefits expense as a percentage of fee revenue decreased to 68% in the nine months ended January 31, 2020 from 70% in the year-ago period.

Digital compensation and benefits expense increased by \$12.9 million, or 13%, to \$113.4 million in the nine months ended January 31, 2020 from \$100.5 million in the year-ago period. Exchange rates favorably impacted compensation and benefits by \$1.9 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period. The increase was primarily due to a higher performance-related bonus expense and a 17% increase in average headcount mainly from the Acquired Companies. Digital compensation and benefits expense as a percentage of fee revenue decreased to 51% in the nine months ended January 31, 2020 from 53% in the year-ago period.

Executive Search compensation and benefits expense was \$377.9 million in the nine months ended January 31, 2020 compared to \$378.0 million in the year-ago period. Exchange rates favorably impacted compensation and benefits by \$5.0 million, or 1%, in the nine months ended January 31, 2020 compared to the year-ago period. Executive Search compensation



and benefits expense, as a percentage of fee revenue, increased to 67% in the nine months ended January 31, 2020 from 65%

RPO & Professional Search compensation and benefits expense increased by \$32.9 million, or 19%, to \$201.9 million in the nine months ended January 31, 2020 from \$169.0 million in the year-ago period. Exchange rates favorably impacted compensation and benefits by \$2.9 million, or 2%, in the nine months ended January 31, 2020 compared to the year-ago period. The increase was due to a 26% increase in the average headcount in the nine months ended January 31, 2020 compared to the year-ago period. RPO & Professional Search compensation and benefits expense, as a percentage of fee revenue, was 71% in both the nine months ended January 31, 2020 and 2019.

Corporate compensation and benefits expense decreased by \$2.3 million, or 6%, to \$35.1 million in the nine months ended January 31, 2020 from \$37.4 million in the year-ago period. The decrease was primarily due to lower performance related bonus expense and an increase in the change in the cash surrender value ("CSV") of COLI that decreased compensation and benefits expense in the nine months ended January 31, 2020 compared to the year-ago period.

General and Administrative Expenses

General and administrative expenses decreased \$88.4 million, or 31%, to \$199.2 million in the nine months ended January 31, 2020 compared to \$287.6 million in the year-ago period. Exchange rates favorably impacted general and administrative expenses by \$4.1 million, or 1%, in the nine months ended January 31, 2020 compared to the year-ago period. The decrease in general and administrative expenses was due to the write-off of tradenames of \$106.6 million in the year-ago period related to the Plan, with no such charge in the current period. The decrease in general and administrative expense was partially offset by an increase in marketing and business development expenses and premise and office expenses. General and administrative expenses, as a percentage of fee revenue, were 13% in the nine months ended January 31, 2020 as compared to 20% in the nine months ended January 31, 2019. Excluding the tradename write-offs, general and administrative expenses as a percentage of fee revenue were 13% in the nine months ended January 31, 2019.

Consulting general and administrative expenses decreased by \$75.5 million, or 59%, to \$52.6 million in the nine months ended January 31, 2020 from \$128.1 million in the year-ago period. The decrease in general and administrative expenses was mainly due to the write-off of tradenames related to the Plan of \$77.0 million in the nine months ended January 31, 2019 with no such charge in the current period, partially offset by an increase in marketing and business development expense. Consulting general and administrative expenses, as a percentage of fee revenue, were 12% in the nine months ended January 31, 2020 as compared to 30% in the nine months ended January 31, 2019. Excluding the tradename write-offs, general and administrative expenses as a percentage of fee revenue were 12% in the nine months ended January 31, 2019.

Digital general and administrative expenses decreased by \$20.8 million, or 41%, to \$29.7 million in the nine months ended January 31, 2020 from \$50.5 million in the year-ago period. The decrease in general and administrative expenses was mainly due to the write-off of tradenames related to the Plan of \$29.6 million in the nine months ended January 31, 2019 with no such charge in the current period, partially offset by an increase in premise and office expenses. Digital general and administrative expenses, as a percentage of fee revenue, were 13% in the nine months ended January 31, 2020 as compared to 27% in the nine months ended January 31, 2019. Excluding the tradename write-offs, general and administrative expenses as a percentage of fee revenue were 11% in the nine months ended January 31, 2019.

Executive Search general and administrative expenses decreased by \$3.2 million, or 5% to \$58.0 million in the nine months ended January 31, 2020 from \$61.2 million in the year-ago period. The decrease was primarily due to lower bad debt expense and decreases in legal and other professional fees and travel related expenses during the nine months ended January 31, 2020 compared to the year-ago period. Executive Search general and administrative expenses, as a percentage of fee revenue, were 10% in both the nine months ended January 31, 2020 and 2019.

RPO & Professional Search general and administrative expenses increased by \$3.9 million, or 20%, to \$23.9 million in the nine months ended January 31, 2020 and \$20.0 million in the nine months ended January 31, 2019. The increase was primarily due to an increase in premise and office expense and to a lesser extent increases in bad debt expense, marketing and business development and a foreign exchange loss in the nine months ended January 31, 2020 compared to a foreign exchange gain in the year-ago period. RPO & Professional Search general and administrative expenses, as a percentage of fee revenue, were 8% in both the nine months ended January 31, 2020 and 2019.

Corporate general and administrative expenses increased by \$7.3 million, or 26%, to \$35.1 million in the nine months ended January 31, 2020 compared to \$27.8 million in the year-ago period. The increase in general and administrative expenses was mainly due to integration/acquisition costs and an increase in marketing and business development expenses during the nine months ended January 31, 2020 compared to the year-ago period.



Cost of Services Expense

Cost of services expense consists primarily of contractor and product costs related to the delivery of various services and products, primarily in RPO & Professional Search, Consulting and Digital. Cost of services expense increased by \$11.4 million, or 21%, to \$66.4 million in the nine months ended January 31, 2020 compared to \$55.0 million in the year-ago period. The increase was due to the Acquired Companies. Cost of services expense, as a percentage of fee revenue was 4% in both the nine months ended January 31, 2020 and 2019.

Depreciation and Amortization Expenses

Depreciation and amortization expenses were \$40.4 million, an increase of \$5.9 million, or 17%, in the nine months ended January 31, 2020 compared to \$34.5 million in the year-ago period. The increase related primarily to the Acquired Companies and technology investments made in the current and prior year in software and computer equipment, in addition to increases in leasehold improvements and furniture and fixtures.

Restructuring Charges, Net

During the nine months ended January 31, 2020, we implemented a restructuring plan in order to eliminate redundant positions that were created due to the investments made in our digital business and the acquisition of the Acquired Companies. As a result, we recorded restructuring charges of \$18.1 million of severance costs during the nine months ended January 31, 2020. There were no restructuring charges, net during the nine months ended January 31, 2019.

Operating Income

Operating income increased by \$75.2 million to \$153.8 million in the nine months ended January 31, 2020 compared to \$78.6 million in the year-ago period. The increase in operating income was primarily driven by the write-off of tradenames of \$106.6 million in the year-ago period and higher fee revenue of \$57.0 million, offset by an increase in compensation and benefits expense, restructuring charges, net, cost of services expense, marketing and business development expenses and premise and office expenses.

Consulting operating income was \$24.3 million in the nine months ended January 31, 2020, an increase of \$71.7 million, 151% as compared to an operating loss of \$47.4 million in the year-ago period. The change from operating loss to operating income was primarily due to the write-off of tradenames related to the Plan of \$77.0 million in year-ago period and a decrease in compensation and benefits expense, offset by restructuring charges incurred in the nine months ended January 31, 2020. Consulting operating income, as a percentage of fee revenue, was 6% in the nine months ended January 31, 2020 compared to an operating loss, as a percentage fee revenue, of 11% in the year-ago period. Excluding the tradename write-offs, operating income as a percentage of fee revenue was 6% in the nine months ended January 31, 2020 compared to 7% in the year-ago period.

Digital operating income was \$41.0 million in the nine months ended January 31, 2020, an increase of \$17.9 million, or 77%, as compared to \$23.1 million in the year-ago period. The increase was primarily due to the write-off of tradenames related to the Plan of \$29.6 million in the year-ago period and higher fee revenue, offset by increases in compensation and benefits expense, cost of services and restructuring charges, net. Digital operating income, as a percentage of fee revenue was 18% and 12% in the nine months ended January 31, 2020 and 2019, respectively. Excluding the tradename write-offs, operating income as a percentage of fee revenue was 18% in the nine months ended January 31, 2020 compared 28% in the year-ago period.

Executive Search operating income decreased by \$17.4 million, or 13%, to \$119.6 million in the nine months ended January 31, 2020 as compared to \$137.0 million in the year-ago period. The decrease in Executive Search operating income was driven by lower fee revenue, offset by a decrease in general and administrative expenses. Executive Search operating income, as a percentage of fee revenue was 21% and 23% in the nine months ended January 31, 2020 and 2019, respectively.

RPO & Professional Search operating income was \$44.3 million, an increase of \$8.0 million, or 22%, in the nine months ended January 31, 2020 as compared to \$36.3 million in the year-ago period. The increase in operating income was driven by higher fee revenue, offset by increases in compensation and benefits expense and general and administrative expenses. RPO & Professional Search operating income, as a percentage of fee revenue, was 16% in the nine months ended January 31, 2020 compared to 15% in the year-ago period.

Net Income Attributable to Korn Ferry

Net income attributable to Korn Ferry increased by \$53.3 million to \$105.7 million in the nine months ended January 31, 2020 as compared to \$52.4 million in the year-ago period. The increase was due to \$57.1 million more in total revenue, an increase in other income, net of \$5.5 million and a decrease in operating expenses of \$18.1 million, partially offset by an increase in income tax provision of \$24.9 million during the nine months ended January 31, 2020 compared to the year-ago period. Net



income attributable to Korn Ferry, as a percentage of fee revenue, was 7% in the nine months ended January 31, 2020 compared to 4% in the nine months ended January 31, 2019.

Adjusted EBITDA

Adjusted EBITDA increased by \$2.6 million to \$231.4 million in the nine months ended January 31, 2020 as compared to \$228.8 million in the year-ago period. This increase was driven by higher fee revenue and an increase in other income, net, offset by an increases in compensation and benefits expense (excluding integration/acquisition costs and separation costs), cost of services expense and general and administrative expenses (excluding write-off on tradenames and integration/acquisition costs). Adjusted EBITDA, as a percentage of fee revenue, was 16% in both the nine months ended January 31, 2020 and 2019.

Consulting Adjusted EBITDA was \$50.0 million in the nine months ended January 31, 2020, an increase of \$1.8 million, or 4%, as compared to \$48.2 million in the year-ago period. The increase was driven by a decrease in compensation and benefits expense (excluding integration/acquisition costs), partially offset by lower fee revenue during the nine months ended January 31, 2020 compared to the year-ago period. Consulting Adjusted EBITDA, as a percentage of fee revenue, was 12% in the nine months ended January 31, 2020 compared to 11% in the year-ago period.

Digital Adjusted EBITDA was \$66.1 million in the nine months ended January 31, 2020, an increase of \$2.2 million, or 3%, as compared to \$63.9 million in the year-ago period. The increase was driven by higher fee revenue, partially offset by increases in compensation and benefits expense (excluding integration/acquisition costs), cost of services expense and general and administrative expenses (excluding write-off on tradenames and integration/acquisition costs) during the nine months ended January 31, 2020 compared to the year-ago period. Digital Adjusted EBITDA, as a percentage of fee revenue, was 30% in the nine months ended January 31, 2020 as compared to 34% in the nine months ended January 31, 2019.

Executive Search Adjusted EBITDA decreased by \$10.5 million, or 7%, to \$133.6 million in the nine months ended January 31, 2020 as compared to \$144.1 million in the nine months ended January 31, 2019. The decrease in Executive Search was driven by lower fee revenue, partially offset by decreases in compensation and benefits expense (excluding separation costs) and general administrative expenses during the nine months ended January 31, 2020 compared to the year-ago period. Executive Search Adjusted EBITDA, as a percentage of fee revenue, was 24% in the nine months ended January 31, 2020 as compared to 25% in the nine months ended January 31, 2019.

RPO & Professional Search Adjusted EBITDA was \$47.5 million in the nine months ended January 31, 2020, an increase of \$8.7 million, or 22%, as compared to \$38.8 million in the year-ago period. The increase was driven by higher fee revenue, offset by increases in compensation and benefits expense and general and administrative expenses. RPO & Professional Search Adjusted EBITDA, as a percentage of fee revenue, was 17% in the nine months ended January 31, 2020 compared to 16% in the year-ago period.

Other Income, Net

Other income, net was \$8.0 million in the nine months ended January 31, 2020 compared to \$2.5 million in the year-ago period. The increase was primarily due to larger gains in the fair value of our marketable securities. These gains were offset by the increases in our deferred compensation liability that are recorded in compensation and benefits expense during the nine months ended January 31, 2020 compared to the year-ago period.

Interest Expense, Net

Interest expense, net primarily relates to our Notes issued in December 2019, our prior credit agreement and borrowings under our COLI policies, which are partially offset by interest earned on cash and cash equivalent balances. Interest expense, net was \$15.2 million in the nine months ended January 31, 2020 compared to \$12.7 million in the year-ago period. The increase in interest expense, net was related to the newly issued Notes, which have a higher interest rate and a higher principal balance than the revolver under our prior credit agreement.

Income Tax Provision

The provision for income tax was \$39.0 million in the nine months ended January 31, 2020 compared to \$14.1 million in the year-ago period. This reflects a 26.6% and 20.7% effective tax rate for the nine months ended January 31, 2020 and 2019, respectively. In the nine months ended January 31, 2020, the Company's effective tax rate was higher than the U.S. federal statutory rate of 21.0% primarily due to the impact of U.S. state income taxes and the recognition of taxable income outside the U.S. at higher statutory tax rates. The effective tax rate for the nine months ended January 31, 2019 was affected by the tradename impairment charge and the excess tax benefit on vested stock-based awards, both of which were recorded as discrete during the three months ended July 31, 2018. The excess tax benefit was the amount by which the Company's tax deduction for these awards, based on the fair market value of the awards on the date of vesting, exceeded the expense recorded in the Company's financial statements over the awards' vesting period.



Net Income Attributable to Noncontrolling Interest

Net income attributable to noncontrolling interest represents the portion of a subsidiary's net earnings that are attributable to shares of a subsidiary not held by Korn Ferry that are included in the consolidated results of operations. Net income attributable to noncontrolling interest for the nine months ended January 31, 2020 was \$1.9 million as compared to \$1.8 million for the nine months ended January 31, 2019.



Liquidity and Capital Resources

The Company and its Board of Directors endorse a balanced approach to capital allocation. The Company's priority is to invest in growth initiatives, such as the hiring of consultants, the continued development of IP and derivative products and services, and the investment in synergistic, accretive merger and acquisition transactions that earn a return that is superior to the Company's cost of capital. Next, the Company's capital allocation approach contemplates the return of a portion of excess capital to stockholders in the form of a regular quarterly dividend, subject to the factors discussed below and in the "Risk Factors" section of this Quarterly Report on Form 10-Q. Additionally, the Company considers share repurchases on an opportunistic basis and subject to the terms of our Credit Agreement (defined below) as well as using excess cash to repay the Notes.

On November 1, 2019, we completed the acquisition of the Acquired Companies in the leadership development area for \$108.6 million, net of cash acquired. The acquisition contributed a world-class portfolio of learning, development and performance improvement offerings and expertise to Korn Ferry and bolsters our substantial leadership development capabilities. The Acquired Companies specialize in transforming sales performance and customer experience, offer frontline leadership development and provide organizational and project management training. These companies are included in the new Digital segment which, working closely with the new Consulting segment, will provide clients with direct access to data, insights and analytics from one of the world's most comprehensive people and organizational databases. The addition of the Acquired Companies further expands our vast IP and content and leverages our digital delivery platforms. Actual results of operations of the Acquired Companies are included in our consolidated financial statements from November 1, 2019, the effective date of the acquisition.

We have invested in our digital business to digitize and harmonize the structure of our IP content and data and in building a technology platform for the efficient delivery of these assets directly to an end consumer or indirectly through a consulting engagement. These investments combined with the acquisition of the Acquired Companies resulted in reassessing how we manage and report the Advisory business. On November 1, 2019, we adopted a restructuring plan to rationalize our cost structure to realize the efficiencies and operational improvement that these investments have enabled us to, or positioned us to, realize. The plan impacts both Consulting and Digital and includes the elimination of redundant positions and consolidation of office space. During the three and nine months ended January 31, 2020 we recognized \$18.1 million of restructuring charges associated with severance and recorded \$2.8 million of integration/acquisition costs associated with abandonment of premises.

On December 16, 2019, we completed a private placement of the Notes with \$400 million principal amount pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The Notes were issued with a \$4.5 million discount and will mature December 15, 2027 with interest payable semi-annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. The Notes represent senior unsecured obligations that rank equally in right of payment to all existing and future senior unsecured indebtedness. We may redeem the Notes prior to maturity, subject to certain limitations and premiums defined in the indenture governing the Notes. The Notes are guaranteed by each of our existing and future wholly owned domestic subsidiaries to the extent such subsidiaries guarantee our revolving credit facility under the Credit Agreement (defined below). The indenture governing the Notes requires that, upon the occurrence of both a Change of Control and a Rating Decline (each as defined in the indenture), we shall make an offer to purchase all of the Notes at 101% of their principal amount, and accrued and unpaid interest. We used the proceeds from the offering of the Notes to repay \$276.9 million outstanding under our prior revolving credit facility (the "Prior Credit Agreement") and to pay expenses and fees in connection therewith. As of January 31, 2020, the fair value of the Notes is \$402 million, which is based on borrowing rates currently required of notes with similar terms, maturity and credit risk.

On December 16, 2019, we entered into a senior secured \$650.0 million Credit Agreement (the "Credit Agreement") with a syndicate of banks and Bank of America, National Association as administrative agent to among other things, provide for enhanced financial flexibility. See Note 11—*Long-Term Debt* for a description of the Credit Agreement. We have a total of \$646.0 million available under our \$650.0 million five-year senior secured revolving credit facility (the "Revolver") as of January 31, 2020 after \$4.0 million of standby letters of credit had been issued as of January 31, 2020. We had \$4.0 million and \$2.9 million in standby letters of credit issued under our long-term debt arrangements as of January 31, 2020 and April 30, 2019, respectively. We had a total of \$11.1 million and \$8.5 million of standby letters of credits with other financial institutions as of January 31, 2020 and April 30, 2019, respectively. The standby letters of credits were generally issued as a result of entering into office premise leases.

The Board of Directors has adopted a dividend policy to distribute to our stockholders a regular quarterly cash dividend of \$0.10 per share. Every quarter since the adoption of the dividend policy, the Company has declared a quarterly dividend. The declaration and payment of future dividends under the quarterly dividend program will be at the discretion of the Board of Directors and will depend upon many factors, including our earnings, capital requirements, financial conditions, the terms of our indebtedness and other factors our Board of Directors may deem to be relevant. Our Board of Directors may, however, amend, revoke or suspend our dividend policy at any time and for any reason.



On March 6, 2019, our Board of Directors approved an increase to the share repurchase program of approximately \$200 million, which at the time brought our available capacity to repurchase shares in the open market or privately negotiated transactions to approximately \$250 million. The Company repurchased approximately \$68.1 million and \$37.4 million of the Company's stock during the nine months ended January 31, 2020 and 2019, respectively. As of January 31, 2020, \$182.7 million remained available for common stock repurchases under our share repurchase program. Any decision to continue to execute our currently outstanding share repurchase program will depend on our earnings, capital requirements, financial condition and other factors considered relevant by our Board of Directors. The Credit Agreement permits us to pay dividends to our stockholders and make share repurchases so long as there is no default under the Credit Agreement, the consolidated net leverage ratio which used adjusted EBITDA is no greater than 4.00 to 1.00, and the pro forma liquidity is at least \$50 million, including the revolving credit commitment minus amounts outstanding on the Revolver, issued letters of credit and swing loans. Furthermore, our Notes allow us to pay \$25 million of dividends per fiscal year with no restrictions plus an unlimited amount of dividends so long as our consolidated total leverage ratio is not greater than 3.50 to 1.00 and there is no default under the indenture governing the Notes.

Our performance is subject to the general level of economic activity in the geographic regions and the industries we service. We believe, based on current economic conditions, that our cash on hand and funds from operations and the Credit Agreement will be sufficient to meet anticipated working capital, capital expenditures, general corporate requirements, repayment of the debt, share repurchases and dividend payments under our dividend policy during the next twelve months. However, if the national or global economy, credit market conditions and/or labor markets were to deteriorate in the future, such changes could put negative pressure on demand for our services and affect our operating cash flows. If these conditions were to persist over an extended period of time, we may incur negative cash flows and it might require us to access additional borrowings under the Credit Agreement to meet our capital needs and/or discontinue our share repurchases and dividend policy.

Cash and cash equivalents and marketable securities were \$748.5 million and \$767.1 million as of January 31, 2020 and April 30, 2019, respectively. Net of amounts held in trust for deferred compensation plans and accrued bonuses, cash and marketable securities were \$421.6 million and \$382.1 million at January 31, 2020 and April 30, 2019, respectively. As of January 31, 2020 and April 30, 2019, we held \$262.1 million and \$267.0 million, respectively of cash and cash equivalents in foreign locations, net of amounts held in trust for deferred compensation plans and to pay fiscal 2020 and 2019 annual bonuses. Cash and cash equivalents consist of cash and highly liquid investments purchased with original maturities of three months or less. Marketable securities consist of mutual funds and investments in commercial paper and corporate notes/bonds. The primary objectives of our investment in mutual funds are to meet the obligations under certain of our deferred compensation plans, while the commercial paper and corporate notes/bonds are available for general corporate purposes.

As of January 31, 2020 and April 30, 2019, marketable securities of \$184.8 million and \$140.8 million, respectively, included trading securities of \$151.6 million (net of gross unrealized gains of \$8.3 million and gross unrealized losses of \$0.7 million) and \$140.8 million (net of gross unrealized gains of \$6.3 million and gross unrealized losses of \$1.0 million), respectively, were held in trust for settlement of our obligations under certain deferred compensation plans, of which \$143.8 million and \$132.5 million, respectively, are classified as non-current. These marketable securities were held to satisfy vested obligations totaling \$135.7 million and \$122.3 million as of January 31, 2020 and April 30, 2019, respectively. Unvested obligations under the deferred compensation plans totaled \$23.2 million and \$24.6 million as of January 31, 2020 and April 30, 2019, respectively.

The net increase in our working capital of \$50.8 million as of January 31, 2020 compared to April 30, 2019 is primarily attributable to increases in accounts receivable and marketable securities and a decrease in compensation and benefits payable, partially offset by a decrease in cash and cash equivalents and an increase in operating lease liability, current as a result of implementing the new lease accounting standard. The increase in marketable securities was due to purchases of debt securities during the quarter, while the decrease in cash and cash equivalents and compensation and benefits was primarily due to the payment of annual bonuses earned in fiscal 2019 and paid during the first quarter of fiscal 2020. Cash and cash equivalents further declined due to the price paid for the acquisition of the Acquired Companies and sign-on and retention payments. These decreases in cash and cash equivalents, were partially offset by net proceeds from long-term debt. The increase in accounts receivable was due to an increase in days of sales outstanding, which went from 61 days to 72 days (which is consistent with historical experience) from April 30, 2019 to January 31, 2020. Cash provided by operating activities was \$57.1 million in the nine months ended January 31, 2020, a decrease of \$43.9 million, compared to \$101.0 million in the nine months ended January 31, 2019.

Cash used in investing activities was \$191.1 million in the nine months ended January 31, 2020 compared to \$59.5 million in the year-ago period. An increase in cash used in investing activities was primarily due to cash paid for the acquisition of the Acquired Companies of \$108.6 million and an increase in purchase of marketable securities net of sale/maturities of \$40.7 million, partially offset by a decrease in premiums paid on the COLI policies of \$19.2 million during the nine months ended January 31, 2020 compared to the year-ago period.



Cash provided by financing activities was \$74.1 million in the nine months ended January 31, 2020 compared to cash used of \$57.8 million in the nine months ended January 31, 2019. The increase in cash provided by financing activities was primarily due to the proceeds from long term debt of \$445.5 million in the nine months ended January 31, 2020 compared to \$226.9 million in the year-ago period and lower cash used to repurchase shares of common stock to satisfy tax withholding requirements upon the vesting of restricted stock of \$11.6 million, partially offset by an increase of \$38.0 million in cash used for principal payments on long term debt, \$30.7 million more in repurchase of common stock and a decrease in borrowings under COLI policies of \$31.9 million.

We had approximately \$856.0 million of estimated remaining revenue under existing contracts as of January 31, 2020. However, this should not be considered the amount of our future revenue as it does not take into consideration contracts that will be originated and recognized within the same future reporting periods. Further, our contract terms and conditions allow for clients to increase or decrease the scope of services and such changes do not increase or decrease the estimated remaining revenue under contract until we have an enforceable right to payment.

Cash Surrender Value of Company-Owned Life Insurance Policies, Net of Loans

We purchased COLI policies or contracts insuring the lives of certain employees eligible to participate in the deferred compensation and pension plans as a means of funding benefits under such plans. As of January 31, 2020 and April 30, 2019, we held contracts with gross CSV of \$237.6 million and \$219.2 million, respectively. Total outstanding borrowings against the CSV of COLI contracts were \$92.3 million and \$93.2 million as of January 31, 2020 and April 30, 2019, respectively. Such borrowings do not require annual principal repayments, bear interest primarily at variable rates and are secured by the CSV of COLI contracts. At January 31, 2020 and April 30, 2019, the net cash value of these policies was \$145.3 million and \$126.0 million, respectively.

Long-Term Debt

On December 16, 2019, we completed a private placement of the Notes with \$400 million principal amount. We may redeem the Notes prior to maturity, subject to certain limitations and premiums defined in the indenture governing the Notes. At any time prior to December 15, 2022, we may redeem at a redemption price equal to 100% of the principal plus the Applicable Premium (as defined in the indenture), and accrued and unpaid interest. At any time prior to December 15, 2022, we may use the proceeds of certain equity offerings to redeem up to 35% of the aggregate principal amount of the Notes, including any permitted additional Notes, at a redemption price equal to 104.625% of the principal amount and accrued and unpaid interest. At any time and from time to time on or after December 15, 2022, we may redeem the Notes at the applicable redemption prices set forth in the table below, plus accrued and unpaid interest, if redeemed during the twelve-month period beginning on December 15 of each of the years indicated:

Year	Percentage
2022	102.313%
2023	101.156%
2024 and thereafter	100.000%

The fair value of the Notes is classified as a Level 2 measurement in the fair value hierarchy.

The pay-off of the term loan outstanding under our Prior Credit Agreement is considered a debt modification and therefore, the previously incurred unamortized and current debt issuance costs will be amortized over the life of the new issuance.

The principal balance of the Revolver is due on the date of its termination. The Revolver matures on December 16, 2024 and any unpaid principal balance is payable on this date. The Revolver may also be prepaid and terminated early by us at any time without premium or penalty (subject to customary LIBOR breakage fees).

At our option, loans issued under the Credit Agreement will bear interest at either LIBOR or an alternate base rate, in each case plus the applicable interest rate margin. The interest rate applicable to loans outstanding under the Credit Agreement may fluctuate between LIBOR plus 1.25% per annum to LIBOR plus 2.00% per annum, in the case of LIBOR borrowings (or between the alternate base rate plus 0.125% per annum and the alternate base rate plus 1.00% per annum, in the alternative), based upon our total funded debt to adjusted EBITDA ratio (as set forth in the Credit Agreement, the "consolidated net leverage ratio") at such time. In addition, we will be required to pay to the lenders a quarterly commitment fee ranging from 0.175% to 0.35% per annum on the average daily unused amount of the Revolver, based upon our consolidated net leverage ratio at such time, and fees relating to the issuance of letters of credit. During the three and nine months ended January 31, 2020, the average interest rate on amounts outstanding under the prior revolver was 2.94% and 3.44%, respectively. During the three and nine months ended January 31, 2019, the average interest rate on amounts outstanding under the prior revolver was 3.64% and 3.42%, respectively.

As of January 31, 2020, there was no outstanding liability under the Revolver compared to \$226.9 million as of April 30, 2019 under the prior revolver. The unamortized debt issuance costs associated with the long-term debt were \$4.5 million and \$4.0 million.



million as of January 31, 2020 and April 30, 2019, respectively. As of January 31, 2020, we were in compliance with our debt covenant.

We had a total of \$646.0 million available under the Revolver after \$4.0 million of standby letters of credit had been issued as of January 31, 2020. We had a total of \$420.2 million available under the Prior Credit Agreement after we drew down \$226.9 million and after \$2.9 million of standby letters of credit had been issued as of April 30, 2019. We had a total of \$11.1 million and \$8.5 million of standby letters of credits with other financial institutions as of January 31, 2020 and April 30, 2019, respectively. The standby letters of credits were generally issued as a result of entering into office premise leases.

Other than the factors discussed in this section and the potential impacts of the coronavirus on our business, we are not aware of any other trends, demands or commitments that would materially affect liquidity or those that relate to our resources as of January 31, 2020.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements and have not entered into any transactions involving unconsolidated, special purpose entities. We had no material changes in contractual obligations as of January 31, 2020, as compared to those disclosed in our table of contractual obligations included in our Annual Report.

Critical Accounting Policies

Preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions and changes in the estimates are reported in current operations as new information is learned or upon the amounts becoming fixed or determinable. In preparing our interim consolidated financial statements and accounting for the underlying transactions and balances, we apply our accounting policies as disclosed in the notes to our consolidated financial statements. We consider the policies related to revenue recognition, performance related bonuses, deferred compensation, carrying values of receivables, goodwill, intangible assets and recoverability of deferred income taxes as critical to an understanding of our interim consolidated financial statements because their application places the most significant demands on management's judgment and estimates. Specific risks for these critical accounting policies are described in our Form 10-K filed with the Securities Exchange Commission. There have been no material changes in our critical accounting policies since fiscal 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a result of our global operating activities, we are exposed to certain market risks, including foreign currency exchange fluctuations and fluctuations in interest rates. We manage our exposure to these risks in the normal course of our business as described below.

Foreign Currency Risk

Substantially all our foreign subsidiaries' operations are measured in their local currencies. Assets and liabilities are translated into U.S. dollars at the rates of exchange in effect at the end of each reporting period, and revenue and expenses are translated at average rates of exchange during the reporting period. Resulting translation adjustments are reported as a component of accumulated other comprehensive loss, net on our consolidated balance sheets.

Transactions denominated in a currency other than the reporting entity's functional currency may give rise to foreign currency gains or losses that impact our results of operations. Historically, we have not realized significant foreign currency gains or losses on such transactions. During the nine months ended January 31, 2020 and 2019, we recorded foreign currency losses of \$2.8 million and \$1.4 million, respectively, in general and administrative expenses in the consolidated statements of income.

Our exposure to foreign currency exchange rates is primarily driven by fluctuations involving the following currencies — U.S. Dollar, Pound Sterling, Canadian Dollar, Euro, Singapore Dollar, Swiss Franc, and Brazilian Real. Based on balances exposed to fluctuation in exchange rates between these currencies as of January 31, 2020, a 10% increase or decrease in the value of these currencies could result in a foreign exchange gain or loss of \$13.8 million. We have a program that primarily utilizes foreign currency forward contracts to offset the risks associated with the effects of certain foreign currency exposures. These foreign currency forward contracts are neither used for trading purposes nor are they designated as hedging instruments pursuant to Accounting Standards Codification 815, *Derivatives and Hedging*.

Interest Rate Risk

Our exposure to interest rate risk is limited to our Revolver and borrowings against the CSV of COLI contracts. As of January 31, 2020, there were no amounts outstanding under the Revolver. At our option, loans issued under the Credit Agreement bear interest at either LIBOR or an alternate base rate, in each case plus the applicable interest rate margin. The interest rate



applicable to loans outstanding under the Credit Agreement may fluctuate between LIBOR plus 1.125% per annum to LIBOR plus 2.00% per annum, in the case of LIBOR borrowings (or between the alternate base rate plus 0.125% per annum and the alternate base rate plus 1.00% per annum, in the alternative), based upon our total funded debt to adjusted EBITDA ratio (as set forth in the Credit Agreement, the "consolidated net leverage ratio") at such time. During the three and nine months ended January 31, 2020, the average interest rate on amounts outstanding under the prior revolver was 2.94% and 3.44%, respectively. During the three and nine months ended January 31, 2019, the average interest rate on amounts outstanding under the prior revolver was 3.64% and 3.42%, respectively.

To mitigate this interest rate risk, we entered into an interest rate swap contract in March 2017 with an initial notional amount of \$129.8 million to hedge the variability to changes in cash flows attributable to interest rate risks caused by changes in interest rates related to our variable rate debt. We have designated the swap as a cash flow hedge. On December 16, 2019, in conjunction with the payoff of the Prior Credit Agreement, the Company terminated the interest rate swap and recorded \$0.5 million in interest expense, net.

We had \$92.3 million and \$93.2 million of borrowings against the CSV of COLI contracts as of January 31, 2020 and April 30, 2019, respectively, bearing interest primarily at variable rates. The risk of fluctuations in these variable rates is minimized by the fact that we receive a corresponding adjustment to our borrowed funds crediting rate, which has the effect of increasing the CSV on our COLI contracts.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures.

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) conducted as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting during the three months ended January 31, 2020 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.



PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in litigation both as a plaintiff and a defendant, relating to claims arising out of our operations. As of the date of this report, we are not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

In our Form 10-K for the year ended April 30, 2019, we described material risk factors facing our business. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Except as set forth below, as of the date of this report, there have been no material changes to the risk factors described in our Form 10-K.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations. In particular, our ability to recover from any disaster, pandemic or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster. A disaster, or pandemic, on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster, pandemic or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability. For example, we are evaluating the potential impact of the coronavirus (COVID-19) outbreak that originated in China, including the impact on our employees, customers and third-party providers and of governmental actions being taken to curtail the spread of the virus. The outbreak has severely restricted the level of economic activity in affected areas and may have an adverse impact on sales of certain of our products and services, especially in China. Approximately 5% of our fee revenue in the nine months ended January 31, 2020 came from greater China.

Our indebtedness could adversely affect our financial condition, our ability to operate our business, react to changes in the economy or our industry, prevent us from fulfilling our obligations under our indebtedness and could divert our cash flow from operations for debt payments.

As of January 31, 2020, we had approximately \$400.0 million in total indebtedness outstanding, and \$646.0 million of availability under our \$650.0 million five-year senior secured revolving credit facility (the "Revolver") provided for under our Credit Agreement (the "Credit Agreement") that we entered into on December 16, 2019, with a syndicate of banks and Bank of America, National Association as administrative agent. Subject to the limits contained in the Credit Agreement that govern our Revolver and the indenture governing our \$400.0 million principal amount of the Notes we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisition, or for other purposes. If we do so, the risks related to our high level of debt could increase.

Specifically, our level of debt could have important consequences to us, including the following:

- it may be difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt;
- our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions or other general corporate purposes may be impaired;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, including the Notes, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, future business opportunities and other purposes;
- we are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited;
- our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised due to our high level of debt and the restrictive covenants in the Credit Agreement and the indenture governing our Notes;



- our ability to borrow additional funds or to refinance debt may be limited; and
- it may cause potential or existing customers to not contract with us due to concerns over our ability to meet our financial obligations, such as insuring against our professional liability risks, under such contracts.

Furthermore, our debt under our Revolver will bear interest at variable rates.

Despite our indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, which could further exacerbate the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the Credit Agreement and the indenture governing our Notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness that may be incurred in compliance with these restrictions could be substantial. If we incur additional debt, the risks associated with our leverage, including those described above, would increase. Further, the restrictions in the indenture governing the Notes and the Credit Agreement will not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined in such debt instruments. As of January 31, 2020, we had \$646.0 million of availability to incur additional secured indebtedness under our Revolver.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Interest rates may fluctuate in the future. As a result, interest rates on the Revolver or other variable rate debt offerings could be higher or lower than current levels. If interest rates increase, our debt service obligations on our variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. In addition, a transition away from the London Interbank Offered Rate ("LIBOR") as a benchmark for establishing the applicable interest rate may affect the cost of servicing our debt under the Revolver. The Financial Conduct Authority of the U.K. has announced that it plans to phase out LIBOR by the end of calendar year 2021. Although these borrowing arrangements provide for alternative base rates, such alternative base rates may or may not be related to LIBOR, and the consequences of the phase out of LIBOR cannot be entirely predicted at this time. For example, if any alternative base rate or means of calculating interest with respect to our outstanding variable rate indebtedness leads to an increase in the interest rates charged, it could result in an increase in the cost of such indebtedness, impact our ability to refinance some or all of our existing indebtedness or otherwise have a material adverse impact on our business, financial condition and results of operations.

We may be unable to service our indebtedness.

Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors, all of which are beyond our control, including the availability of financing in the international banking and capital markets. Lower total revenue generally will reduce our cash flow. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs.

If we are unable to meet our debt service obligations or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, which could cause us to default on our debt obligations and impair our liquidity. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations.

Moreover, in the event of a default, the holders of our indebtedness, including the Notes, could elect to declare all the funds borrowed to be due and payable, together with accrued and unpaid interest, if any. The lenders under the Revolver could also elect to terminate their commitments thereunder, cease making further loans, and institute foreclosure proceedings against their collateral, and we could be forced into bankruptcy or liquidation. If we breach our covenants under the Revolver, we would be in default thereunder. The lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

The agreements governing our debt impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

The Credit Agreement and the indenture governing the Notes impose significant operating and financial restrictions on us. These restrictions will limit our ability and the ability of our subsidiaries to, among other things:

- incur or guarantee additional debt or issue capital stock;
- pay dividends and make other distributions on, or redeem or repurchase, capital stock;



- make certain investments;
- incur certain liens;
- enter into transactions with affiliates;
- merge or consolidate;
- enter into agreements that restrict the ability of subsidiaries to make dividends, distributions or other payments to us or the guarantors;
- in the case of the indenture governing our Notes, designate restricted subsidiaries as unrestricted subsidiaries; and
- transfer or sell assets.

We and our subsidiaries are subject to covenants, representations and warranties in respect of the Revolver, including financial covenants as defined in the Credit Agreement. See "Note 11 – *Long-Term Debt*" of our notes to our consolidated financial statements included in this Quarterly Report on Form 10-Q.

As a result of these restrictions, we will be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected.

A decline in our operating results or available cash could cause us to experience difficulties in complying with covenants contained in more than one agreement, which could result in our bankruptcy or liquidation.

If we were to sustain a decline in our operating results or available cash, we could experience difficulties in complying with the financial covenants contained in the Credit Agreement. The failure to comply with such covenants could result in an event of default under the Revolver and by reason of cross-acceleration or cross-default provisions, other indebtedness may then become immediately due and payable. In addition, should an event of default occur, the lenders under our Revolver could elect to terminate their commitments thereunder, cease making loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the lenders under our Revolver to avoid being in default. If we breach our covenants under our Revolver and seek a waiver, we may not be able to obtain a waiver from the lenders thereunder. If this occurs, we would be in default under our Revolver, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

You may not receive the level of dividends provided for in the dividend policy our Board of Directors has adopted or any dividends at all.

We are not obligated to pay dividends on our common stock. Our Board of Directors adopted a dividend policy on December 8, 2014, that reflects an intention to distribute to our stockholders a regular quarterly cash dividend of \$0.10 per share of common stock. Although the Company paid our first dividend under this program on April 9, 2015 and has declared a quarterly dividend every quarter since the adoption of the dividend policy, the declaration and payment of all future dividends to holders of our common stock are subject to the discretion of our Board of Directors, which may amend, revoke or suspend our dividend policy at any time and for any reason, including earnings, capital requirements, financial conditions and other factors our Board of Directors may deem relevant. The terms of our indebtedness may also restrict us from paying cash dividends on our common stock under certain circumstances. See below "—Our ability to pay dividends is restricted by agreements governing our debt, including our credit agreement and the indenture governing our Notes, and by Delaware law."

Over time, our capital and other cash needs may change significantly from our current needs, which could affect whether we pay dividends and the level of any dividends we may pay in the future. If we were to use borrowings under our credit facility to fund our payment of dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively affect our financial condition, our results of operations, our liquidity and our ability to maintain and expand our business. Accordingly, you may not receive dividends in the intended amounts, or at all. Any reduction or elimination of dividends may negatively affect the market price of our common stock.



Our ability to pay dividends is restricted by agreements governing our debt, including our credit agreement and indenture governing our Notes, and by Delaware law.

Both our credit agreement and indenture governing our Notes restrict our ability to pay dividends. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources,” where we describe the terms of our indebtedness, including provisions limiting our ability to declare and pay dividends. As a result of such restrictions, we may be limited in our ability to pay dividends unless we redeem our Notes and amend our credit agreement or otherwise obtain a waiver from our lenders. In addition, as a result of general economic conditions, conditions in the lending markets, the results of our business or for any other reason, we may elect or be required to amend or refinance our senior credit facility, at or prior to maturity, or enter into additional agreements for indebtedness. Any such amendment, refinancing or additional agreement may contain covenants which could limit in a significant manner or entirely our ability to pay dividends to you.

Additionally, under the Delaware General Corporation Law (“DGCL”), our Board of Directors may not authorize payment of a dividend unless it is either paid out of surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

If, as a result of these restrictions, we are required to reduce or eliminate the payment of dividends, a decline in the market price or liquidity, or both, of our common stock could result. This may in turn result in losses by you.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuers Purchases of Equity Securities

Issuer Purchases of Equity Securities

The following table summarizes common stock repurchased by us during the quarter ended January 31, 2020:

	Shares Purchased (1)	Average Price Paid Per Share	Shares Purchased as Part of Publicly-Announced Programs (2)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Programs (2)
November 1, 2019— November 30, 2019	87,000	\$ 38.30	87,000	\$185.5 million
December 1, 2019— December 31, 2019	29,440	\$ 40.60	26,800	\$184.4 million
January 1, 2020— January 31, 2020	41,003	\$ 42.34	40,300	\$182.7 million
Total	157,443	\$ 39.78	154,100	

(1) Represents withholding of 3,343 of restricted shares to cover taxes on vested restricted shares in addition to shares purchased as part of our publicly announced programs.

(2) On March 6, 2019, our Board of Directors approved an increase to the share repurchase program to an aggregate of \$250 million. The shares can be repurchased in open market transactions or privately negotiated transactions at the Company’s discretion. The share repurchase program has no expiration date. We repurchased approximately \$6.2 million of the Company’s common stock under the program during the third quarter of fiscal 2020.

Our Credit Agreement, dated December 16, 2019, permits us to pay dividends to our stockholders and make share repurchases so long as there is no default under our Credit Agreement, the consolidated net leverage ratio, which uses adjusted EBITDA is no greater than 4.00 to 1.00 and the pro forma liquidity is at least \$50.0 million. Furthermore, our Notes allow the Company to pay \$25 million of dividends per fiscal year with no restrictions plus an unlimited amount of dividends so long as the Company’s consolidated total leverage ratio is not greater than 3.50 to 1.00 and the Company is not in default under the indenture governing the Notes.



Item 6. Exhibits

Exhibit Number	Description
3.1*	Certificate of Amendment of Restated Certificate of Incorporation of the Company, effective January 1, 2019, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed December 13, 2018.
3.2*	Seventh Amended and Restated Bylaws, effective January 1, 2019, filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, filed December 13, 2018.
3.3*	Restated Certificate of Incorporation of the Company, effective January 7, 2019, filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q, filed March 11, 2019.
4.1*	Indenture, dated as of December 16, 2019, by and among Korn Ferry, an issuer, certain subsidiaries of Korn Ferry, as guarantors thereto, and Wells Fargo Bank, National Association, as trustee, filed as Exhibit 4.1 to the Company's Form 8-K, filed December 16, 2019.
10.1+	Korn Ferry Amended and Restated Executive Capital Accumulation Plan, effective December 4, 2019.
10.2+	Korn Ferry Amended and Restated Long Term Performance Unit Plan, effective December 4, 2019.
10.3*	Credit Agreement, dated December 16, 2019, by and among Korn Ferry, Bank of America, N.A., as administrative agent, and other lender parties thereto, filed as Exhibit 10.1 to the Company's Form 8-K, filed December 16, 2019.
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act.
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a) under the Exchange Act.
32.1	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2020, has been formatted in Inline XBRL and included as Exhibit 101.

* Incorporated herein by reference.

+ Management contract, compensatory plan or arrangement.



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.

Korn Ferry

By: */s/* Robert P. Rozek
Robert P. Rozek
Executive Vice President, Chief Financial Officer and
Chief Corporate Officer
(Duly Authorized Officer, Principal Financial Officer and
Principal Accounting Officer)

Date: March 11, 2020

**KORN FERRY
EXECUTIVE CAPITAL ACCUMULATION PLAN
(as amended and restated effective December 4, 2019)**

1. PURPOSE OF PLAN

The purpose of this Plan is to promote the success of the Company by providing a select group of management and highly compensated employees an opportunity to defer salary and bonuses as an additional means to attract, motivate and retain such employees. Only Eligible Employees (as defined herein) are eligible to participate in this Plan.

2. DEFINITIONS

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

“401(k) Plan” shall mean the Korn Ferry Employee Tax Deferred Savings Plan.

“Account” or “Accounts” shall mean a Participant’s Deferral Account and/or Company Contributions Account.

“Annual Company Contribution Subaccount” shall mean a subaccount of a Participant’s Company Contributions Account to which Company Contributions made on behalf of such Participant pursuant to Section 5 with respect to a particular Fiscal Year are allocated.

“Beneficiary” or “Beneficiaries” shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant in accordance with procedures established by the Committee to receive the benefits specified hereunder in the event of the Participant’s death. No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Participant’s spouse shall be effective unless such designation is consented to by the Participant’s spouse on a form provided by and in accordance with the procedures established by the Committee. If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Participant’s surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant’s estate (which shall include either the Participant’s probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant’s estate duly appointed and acting in that capacity within 90 days after the Participant’s death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant’s death), then “Beneficiary” shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder. In the event any amount is payable under this Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person’s living parent(s) to act as custodian, (b) if that person’s parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no

parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

“Board of Directors” or “Board” shall mean the Board of Directors of the Company.

“Bonus” shall mean any annual cash incentive compensation payable to a Participant by a Participating Affiliate in addition to the Participant’s Salary.

“Change in Control Event” shall mean any of the following:

- (a) An acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) or a pecuniary interest in (either comprising “ownership of”) more than 30% of the Common Stock or voting securities entitled to then vote generally in the election of directors of the Company (“Voting Stock”), after giving effect to any new issue in the case of an acquisition from the Company; or
- (b) Consummation of a merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company’s consolidated assets as an entirety (collectively, a “Business Combination”), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock hold or receive directly or indirectly 70% or more of the voting stock of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the voting stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that amount of Voting Stock immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate number of shares of the voting stock at least equal to the aggregate number of shares of voting stock owned by any other Person who is not an Excluded Person (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), if any, and who owns more than 30% of the voting stock; or
- (c) Approval by the Board and (if required by law) by shareholders of the Company of a plan to consummate the dissolution or complete liquidation of the Company; or
- (d) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (a) or (b) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or

nomination for election was previously so approved, cease for any reason to constitute a majority of the Board.

For purposes of determining whether a Change in Control Event has occurred, a transaction includes all transactions in a series of related transactions.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Committee” shall mean the Compensation Committee of the Board, which shall administer this Plan in accordance with Section 9.

“Company” shall mean Korn Ferry, a Delaware corporation, and any successor corporation.

“Company Contributions” shall mean contributions made by the Company pursuant to Section 5.

“Company Contributions Account” shall mean the bookkeeping account maintained by the Committee for each Participant that is credited with Company Contributions and investment gains or losses thereon.

“Company Matching Contribution” shall mean a Company Contribution made with respect to a Participant’s deferrals of Salary or Bonus under this Plan.

“Company Performance Contribution” shall mean a Company Contribution other than a Company Matching Contribution, which may be made on the basis of performance (whether as measured against pre-established criteria or otherwise), or on any other basis whatever.

“Compensation” shall mean the Salary and Bonus that the Participant is entitled to for services rendered to a Participating Affiliate.

“Deferral Account” shall mean the bookkeeping account maintained by the Committee for each Participant that is credited with amounts equal to (1) the portion of the Participant’s Salary that he or she elects to defer and invest in the manner described in Section 4, (2) the portion of the Participant’s Bonus that he or she elects to defer and invest in the manner described in Section 4, and (3) investment gains or losses thereon.

“Detrimental Activity” with respect to a Participant shall mean that such Participant:

- (a) has directly or indirectly engaged in any business for his or her own account that competes with the business of any entity within the Company Group (“Company Group” means the Company, the Subsidiaries, and any affiliate of the Company or a Subsidiary) (a business in competition with any entity within the Company Group includes, without limitation, any business in an industry which any business in the Company Group may conduct business from time to time and any business in an industry which any entity within the Company Group has specific plans to enter in the future and as to which the Participant is aware of such planning);

- (b) has committed or engaged in an unauthorized disclosure or use of inside information, trade secrets or other confidential information, or an unauthorized use of trade names, trademarks, or other proprietary business designations owned or used in connection with the business of any entity within the Company Group; has failed to timely return to the Company in accordance with Company policy all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of any entity within the Company Group;
- (c) has entered the employ of, renders services to, or has acquired a financial interest in any person engaged in any business that competes with the business of any entity within the Company Group; has acted intentionally in a manner injurious to the reputation, business or assets of, any entity within the Company Group; has interfered with business relationships (whether formed before or after the date hereof) between the Company, any Subsidiary, any of their respective affiliates, and any customers, suppliers, officers, employees, partners, members or investors; has influenced or attempted to influence a vendor or customer of any entity within the Company Group, either directly or indirectly, to divert their business away from the Company Group, induced a principal for whom an entity within the Company Group acts as agent to terminate such agency relationship, or induced an employee of any entity within the Company Group who earned \$25,000 or more on an annualized basis during the last six months of his or her employment to work for any business, individual, partnership, firm, corporation, or other entity then in competition with the business of any entity within the Company Group; or
- (d) has agreed to take any action, or has expressed an intention to take any action, if in either case such action would constitute Detrimental Activity under subsection (a), (b) or (c) or this definition when such action is performed.

“Disability” shall mean with respect to a Participant any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, by reason of which impairment the Participant is either unable to engage in any substantial gainful activity or is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant’s employer.

“Effective Date” shall mean January 1, 2004. This Plan was amended and restated in 2008 to include provisions required under Code Section 409A. The provisions required by Section 409A are effective January 1, 2005; provided, however, that that certain transition rules that may have affected Participants, Beneficiaries and the Company before 2009 are not necessarily reflected in this document.

“Eligible Employee” shall mean any Officer or any employee of a Participating Affiliate who is in the position category of vice president or above and who customarily performs services for 30 or more hours per week for such Participating Affiliate.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Excluded Person” means

- (a) the Company or any Subsidiary;
- (b) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act;
- (c) any employee benefit plan of the Company or a Subsidiary;
- (d) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in part (b) of this definition.

“Fiscal Year” shall mean the fiscal year of the Company.

“Investment Fund” shall mean one or more of the investment funds or portfolios selected by the Committee pursuant to Section 6.1.

“Officer” shall mean the Chief Executive Officer, Chief Financial Officer, any Executive Vice President and any Vice President of the Company.

“Participant” shall mean any Eligible Employee who is selected for participation in the Plan.

“Participating Affiliate” shall mean the Company and any Subsidiary, which by resolution of its board of directors and with the approval of the Committee, elects to participate in this Plan. By electing to participate in this Plan, a Participating Affiliate agrees to be bound by any Plan amendment adopted by resolution of the Board of Directors or by the written instrument of any person to whom the Board of Directors has delegated its authority to adopt the amendment. If a Participating Affiliate ceases to be a Subsidiary, except by merger with its parent, the employment of each Eligible Employee of the Participating Affiliate shall be deemed to have terminated for purposes of this Plan, except to any extent any such Eligible Employee is required by law to continue to be treated under the Plan as an employee of the Company.

“Plan” shall mean this Korn Ferry Executive Capital Accumulation Plan set forth herein, now in effect, or as amended from time to time.

“Plan Year” shall mean the Fiscal Year.

“Salary” shall mean all cash salary and similar payments (other than Bonuses) paid to a Participant for services rendered to a Participating Affiliate before reduction on account of: (1) any withholding such as income taxes (but excluding social security and health insurance taxes) or such other withholding as may be required by the jurisdiction of the Participating Affiliate, and (2) any deferrals under this Plan.

“Subsidiary” shall mean (a) each corporation which is (directly or indirectly) 50% or more owned by the Company, and (b) each entity which is partially owned by the Company and is organized under the laws of a nation other than the United States of America.

“Termination Date” shall mean the date that the Participant’s has a “separation from service,” as defined in Section 409A of the Code, from the Company and its Subsidiaries for any reason.

“Termination For Cause” means a termination of service, based upon a finding by the Company, acting in good faith and based on its reasonable belief at the time, that the Participant:

- (a) is or has been dishonest, incompetent, or negligent in the discharge of his or her duties to the Company; or has refused to perform stated or assigned duties; or
- (b) has committed a theft or embezzlement, or a breach of confidentiality or unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information, or a breach of fiduciary duty involving personal profit, or a willful or negligent violation of any law, rule or regulation or of Company rules or policy, in any material respect; or has been convicted (including a plea of guilty or nolo contendere) of a felony or misdemeanor (other than minor traffic violations or similar offenses); or
- (c) has materially breached any of the provisions of any agreement with the Company or a parent corporation; or
- (d) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of the Company; or has induced a customer to break or terminate any contract with the Company or an affiliate; or has induced any principal for whom the Company (or an affiliate) acts as agent to terminate such agency relationship; or
- (e) has made a misrepresentation or false statement in any application for employment, employment history, resume or other document submitted to the Company (whether before, during or after employment); or
- (f) has engaged in Detrimental Activity.

A Termination For Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Board or Committee) on the date when the Company first delivers notice to the Participant of a finding of Termination For Cause and shall be final in all respects on the date following the opportunity to be heard and written notice to the Participant that his or her service is terminated.

3. PARTICIPATION

The Committee shall select from the class of Eligible Employees those particular Eligible Employees who will be eligible to defer all or a portion of their Compensation in accordance with Section 4. Notwithstanding anything else contained herein to the contrary, the Committee shall limit the class of persons selected to participate in this Plan to a select group of management or

highly compensated employees, as set forth in Sections 201, 301 and 401 of ERISA. In order to accomplish the foregoing, the Committee may, at any time and in its sole discretion, terminate the ability of an Eligible Employee or a Participant to defer Compensation (or to defer additional Compensation) under Section 4; provided that such a termination shall not affect deferrals pursuant to any deferral election theretofore made under this Plan.

4. ELECTIONS TO DEFER COMPENSATION

4.1 *General Rule.* Subject to the minimum deferral provisions in Section 4.2 below, the amount of Compensation a Participant may elect to defer is as follows:

- (a) Any percentage of Salary up to 80%; and/or
- (b) Any percentage of Bonus up to 100%;

provided, however, that no election shall be effective to reduce the Compensation payable to a Participant for a calendar year to an amount which is less than the amount that a Participating Affiliate is required to withhold from such Participant's Compensation for such calendar year for purposes of federal, state and local (if any) income tax, employment tax (including without limitation Federal Insurance Contributions Act (FICA) tax), other tax withholdings and such other withholdings as may be required by the jurisdiction of such Participating Affiliate, and the Participant's contributions to other benefit programs (including but not limited to the 401(k) Plan and any Code Section 125 plan).

4.2 *Minimum Deferrals.* The Committee in its discretion may establish minimum deferral amounts with respect to Salary Deferral Elections and Bonus Deferral Elections.

4.3 *Initial Salary Deferral Election.* An individual who is a Participant as of the Effective Date may elect to defer his or her Salary (a "Salary Deferral Election") by filing an initial election with the Committee, on a form and in a manner prescribed by the Committee, on or before the last business day prior to the Effective Date. Such election shall be effective with respect to Salary paid on or after the first day of the first payroll period commencing on or after the Effective Date. Except as otherwise provided pursuant to Section 4.6, such election shall continue in effect with respect to Salary payable through the end of the calendar year for which the election is made, and except as otherwise provided pursuant to Section 4.6, deferral of Salary for any subsequent calendar year shall require a new Salary Deferral Election pursuant to Section 4.4.

4.4 *Subsequent Salary Deferral Elections.* An Eligible Employee selected in accordance with Section 3 may defer (or may again defer) Salary (provided that he or she is then still eligible to participate in this Plan in accordance with Section 3) by filing an election, on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the December 31 preceding the year for which such Salary is to be deferred. Such Salary Deferral Election shall be effective with respect to Salary paid on or after the first day of the first payroll period commencing on or after the following January 1. Except as otherwise provided pursuant to Section 4.6, such election shall continue in effect with respect to Salary payable through the end of the calendar year for

which the election is made, and deferral of Salary for any subsequent calendar year shall require a new Salary Deferral Election pursuant to this Section 4.4.

4.5 ***Bonus Deferral Election.*** An individual who is or will be a Participant as of the beginning of any Fiscal Year commencing on or after May 1, 2004, may make a Bonus Deferral Election with respect to his or her Bonus for such Fiscal Year by filing an election with the Committee, on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the last business day prior to the beginning of such Fiscal Year; provided, however, that with respect to any portion of such Bonus that is “performance-based compensation” within the meaning of Section 409A of the Code and regulations promulgated thereunder, such election must be received by the Committee no later than the date that is six (6) months before the end of the applicable performance period, provided that in no event may an election to defer such performance-based compensation be made after such compensation has become both substantially certain to be paid and readily ascertainable. Except as otherwise provided pursuant to Section 4.6, any such Bonus Deferral Election shall apply only to the Bonus payable with respect to the Fiscal Year for which the election is made, and deferral of Bonus for any subsequent Fiscal Year shall require a new Bonus Deferral Election pursuant to this Section 4.5.

4.6 ***Duration of Salary and Bonus Deferral Elections.*** Unless otherwise determined by the Committee and announced in writing to the Participants, any Salary Deferral Election or Bonus Deferral Election shall remain in force only through the applicable periods set forth in Sections 4.3, 4.4 and 4.5. However, at its discretion, the Committee may provide for “evergreen” elections, as described in this Section 4.6. Any such determination to provide evergreen elections shall be announced in writing to Participants. If the Committee provides for evergreen elections as set forth in this Section 4.6, then notwithstanding Sections 4.3, 4.4 and 4.5, any Salary Deferral Election or Bonus Deferral Election made under this Section 4 shall remain in effect, notwithstanding any change in the Participant’s Salary or Bonus, as applicable, until changed or terminated in accordance with the terms of this Section 4.6. Subject to the limitations of Section 4.1 and the minimum deferral requirements of Section 4.2, a Participant may increase, decrease or terminate his or her Salary Deferral Election, effective with respect to Salary paid on or after the first day of the first payroll period commencing on or after January 1, by filing a new election, in accordance with the terms of this Section 4 and on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the December 31 preceding the year for which such Salary is to be deferred. Subject to the limitations of Section 4.1 and the minimum deferral requirements of Section 4.2, a Participant may increase, decrease or terminate his or her Bonus Deferral Election, effective for any Bonus paid with respect to a Fiscal Year, by filing a new election, in accordance with the terms of this Section 4 and on a form and in a manner prescribed by the Committee. Such election must be received by the Committee on or before the date designated by the Committee, which shall not be later than the last business day prior to the beginning of such Fiscal Year.

4.7

Newly Eligible Employees.

- (a) An employee of the Company or a Participating Affiliate who becomes an Eligible Employee at any time after April 1, 2004 and who is selected to participate in this Plan in accordance with Section 3 may elect, on a form and in a manner prescribed by the Committee and no later than thirty (30) days after the date such employee became an Eligible Employee, to make (a) a Salary Deferral Election, which shall be effective with respect to Salary for services rendered on or after the first day of the first payroll period commencing after such election is received by the Committee, and/or (b) a Bonus Deferral Election, which shall be effective with respect to a prorated portion of any Bonus earned for services rendered during the Plan Year in which such election is made, the maximum amount of such prorated portion to be determined by the Company and which shall not exceed the amount determined by multiplying (i) the total Bonus earned for such Plan Year, by (ii) a fraction, the numerator of which shall be the number of whole months remaining in the Plan Year after the date the election is filed with the Committee, and the denominator of which shall be 12; provided, however, that the entire amount of such Bonus may be deferred (subject to Section 4.1) if such Bonus is “performance-based compensation” within the meaning of Section 409A of the Code and regulations promulgated thereunder and such Bonus Deferral Election otherwise satisfies the applicable requirements set forth in Section 4.5.
- (b) Except as otherwise provided in Section 4.6, any Salary Deferral Election filed pursuant to this Section 4.7 shall continue in effect with respect to Salary payable through the end of the calendar year for which the election is made, and except as otherwise provided pursuant to Section 4.6, deferral of Salary for any subsequent calendar year shall require a new Salary Deferral Election pursuant to Section 4.4. Except as otherwise provided pursuant to Section 4.6, any Bonus Deferral Election filed pursuant to this Section 4.7 shall apply only to the Bonus payable with respect to the Fiscal Year for which the election is made, and except as otherwise provided pursuant to Section 4.6, deferral of Bonus for any subsequent Fiscal Year shall require a new Bonus Deferral Election pursuant to Section 4.5.

5. COMPANY CONTRIBUTIONS

5.1 *Company Contributions.* At the conclusion of each Fiscal Year, the Committee may determine, in its sole and complete discretion, to credit additional amounts to one or more Participants’ Company Contributions Accounts under this Plan. Any amounts credited under this Section 5.1 need not be made to all Participants’ Accounts, and such additional amounts as are credited, if any, need not be credited in equal amounts or percentages. The Committee shall have sole and complete discretion in determining the basis for the crediting of additional amounts under this Section 5.1, including, without limitation, the authority to award such amounts on an individual or group basis and/or as a Company Matching Contribution or a Company Performance Contribution. Any amount credited pursuant to this Section 5.1 with respect to a Fiscal Year shall be credited to the Participant’s Company Contributions Account as of the date or dates determined by the Committee. Nothing contained in this Section 5.1 shall be deemed to impose or constitute

any obligation on the Committee, the Company or any Subsidiary to make any credit hereunder.

Notwithstanding the foregoing provisions, in connection with an express written agreement between the Company and a Participant, the Committee may credit such Participant's Company Contributions Account with the amount of a contribution made by the Company pursuant to this Section 5.1 as of any date selected by the Company. For all purposes under this Plan, any such contribution shall be deemed to relate to the Fiscal Year in which the date selected by the Company occurs.

5.2 *Annual Company Contribution Subaccounts.* Company Contributions made to a Participant's Account pursuant to Section 5.1 with respect to a Fiscal Year shall be allocated to a separate Annual Company Contribution Subaccount. Such subaccounts shall be maintained for purposes of determining the Participant's vested interest in such contributions as provided under Section 7.

5.3 *Forfeiture; Detrimental Activity.* A Participant's rights with respect to any Company Contribution and any investment return credited thereto, whether vested or unvested, shall terminate, become null and void, and be immediately forfeited if (i) the Participant's employment ends as a result of a Termination for Cause, or (ii) the Participant engages in any Detrimental Activity, whether before or within the one-year period after his or her employment or services with the Company (or a Subsidiary) terminates. In the event that the Committee determines that a Participant has engaged in Detrimental Activity at any time during his or her employment by the Company or a Subsidiary or within the one-year period following his or her Termination Date, any amounts distributed at any time to such Participant with respect to any Company Contribution (and any investment return credited thereto) shall be immediately refunded to the Company (or Subsidiary) by the Participant or the Participant's Beneficiary. Determinations of whether (i) a Participant's employment has ended as a result of a Termination for Cause, and (ii) a Participant has engaged in Detrimental Activity shall be made by the Committee in its sole discretion.

6. INVESTMENT OF ACCOUNTS

6.1 *Investment Funds.* Effective as of the date established by the Committee, separate Investment Funds shall be established under this Plan. The Committee may, in its discretion, terminate any Investment Fund. The Committee shall determine the number of Investment Funds, and the Committee or its delegate shall determine the investments to be made under the Investment Funds.

6.2 *Investment Elections.* Pursuant to rules established by the Committee, each Participant shall have the right and obligation to designate in which of the Investment Funds his or her Accounts will be deemed to be invested for purposes of determining the investment gain (or loss) to be credited to his or her Accounts. A Participant may change the designation made under this Section 6.2 and/or transfer an amount deemed to be invested in one Investment Fund to another Investment Fund (subject to such rules as the Committee may adopt) on any business day pursuant to procedures established by the Committee. The Committee may restrict the frequency by which Participants are

permitted to make changes to their designations of Investment Funds and may establish rules regarding the timing and effectiveness of such elections. If a Participant does not make an election with respect to the investment of his or her Account, the Participant shall be deemed to have elected the short term interest fund or the fund closest thereto. The Committee may establish other rules, regulations and procedures regarding the Investment Funds as it deems appropriate in its sole discretion.

7. VESTING.

7.1 *Deferral Account.* A Participant's Deferral Account shall be 100% vested and nonforfeitable at all times.

7.2 *Company Contributions Account.* The interest of each Participant in amounts credited to his or her Company Contributions Account shall vest and become nonforfeitable as follows:

- (a) If a Participant's employment with the Company and all Subsidiaries terminates due to the Participant's death or Disability, such Participant shall become 100% vested in all amounts in his or her Company Contributions Account as of the date of such termination.
- (b) Except as otherwise provided in this Section 7.2, for Company Contributions approved on or after July 1, 2019, a Participant shall become vested in each Annual Company Contribution Subaccount in accordance with the schedule determined by the Committee; it is expected that such schedule shall provide:
 - 20% as of approximately one month following the first anniversary of the date on which the Committee approves the applicable Company Contribution;
 - 40% as of approximately the second anniversary of the date on which the Committee approves the applicable Company Contribution;
 - 60% as of approximately the third anniversary of the date on which the Committee approves the applicable Company Contribution;
 - 80% as of approximately the fourth anniversary of the date on which the Committee approves the applicable Company Contribution; and
 - 100% as of approximately the fifth anniversary of the date on which the Committee approves the applicable Company Contribution.

For Company Contributions approved prior to January 1, 2019, a Participant shall become vested in each Annual Company Contribution Subaccount in accordance with the schedule determined by the Company or the Committee, as the case may be, upon approval of such contribution.

- (c) If a Participant retires with a Termination Date on or after attaining age 65, the Company may, in its discretion, enter into an agreement under which such Participant may, by refraining from engaging any Detrimental Activity, continue to vest in any portion of the Participant's Annual Company Contribution Subaccount(s) that was not vested as of such Termination Date. Notwithstanding the foregoing, such vesting following a Termination Date shall not apply to any Participant with a Termination Date before January 1, 2009, and shall not apply to the extent a vesting schedule under Section 7.2(e) provides that such vesting shall not apply. Any amount that becomes vested under this Section 7.2(c) following a Participant's Termination Date (i) shall be distributed as soon as administratively feasible following vesting if the Participant had elected the lump sum distribution option, or (ii) shall be added on a pro-rata basis to each remaining installment payment if the Participant had elected installment payments. If a Participant referred to in this Section 7.2(c) engages in Detrimental Activity at any time, any unpaid portion of the Participant's Annual Company Contribution Subaccount(s) that had not been paid as of the first instance of engaging in such Detrimental Activity shall be forfeited, regardless of whether such portion had previously become vested.
- (d) The Board or the Committee may, in its sole discretion, accelerate vesting for a Participant who terminates employment for reasons other than death or Disability prior to attaining age 65.
- (e) The Board or the Committee may, in its sole discretion, for any Participant or group of Participants, establish a vesting schedule different from that set forth in Section 7.2(b) above with respect to any Company Contributions; provided, however, that any such alternative vesting schedule shall be set forth in writing.

Unless otherwise expressly provided in this Section 7.2, the Participant shall forfeit any amounts credited to his or her Company Contributions Account upon the termination of his or her employment with the Company and all Subsidiaries to the extent that such amounts have not vested as of the date of such termination of employment.

8. DISTRIBUTION OF BENEFITS

8.1 *Commencement of Distributions.* At the time of making a Salary and/or Bonus Deferral Election pursuant to Section 4, the Participant shall designate, on a form and in a manner prescribed by the Committee, the time at which the Salary and/or Bonus deferred by the Participant with respect to such deferrals (adjusted for earnings and losses thereon) shall be paid. Any Company Matching Contribution made with respect to such deferrals shall be paid at the same time and in the same form as such deferrals are paid in accordance with this Section 8; provided, however, that any portion of such Company Matching Contribution that has not vested as of the date such deferrals are paid shall be paid on or as soon as practicable after the date (if any) such portion becomes vested pursuant to Section 7.2.

With respect to deferrals of Salary, the Participant may choose either one of the following payment dates (or, if installments are elected, payment commencement dates):

- (a) On or as soon as administratively practicable after the Participant's Termination Date,
or
- (b) On or as soon as administratively practicable after the earlier of (i) the Participant's Termination Date or (ii) the date selected by the Participant which is at least three (3) years following the end of the calendar year during which the Salary was earned (an "in-service distribution date").

With respect to deferrals of Bonuses, the Participant may choose either one of the following payment dates (or, if installments are elected, payment commencement dates):

- (c) On or as soon as administratively practicable after the Participant's Termination Date,
or
- (d) On or as soon as administratively practicable after the earlier of (i) the Participant's Termination Date or (ii) the date selected by the Participant which is at least three (3) years following the end of the Fiscal Year with respect to which the Bonus was awarded (an "in-service distribution date").

If the Participant does not make such an election, the Participant shall be deemed to have elected payment as described in Sections 8.1(a) and (c). A Participant may make only one payment election for all Compensation deferred pursuant to any Salary or Bonus Deferral Election.

A Participant may elect as many different in-service distribution dates as desired for his or her Salary and Bonus deferrals under the Plan. A Participant who elects one or more in-service distribution dates may elect the same in-service distribution date or dates for subsequent Salary and Bonus deferrals. If the in-service distribution date selected by a Participant with respect to any Compensation deferred does not satisfy the requirements of subsections (b)(ii) or (d)(ii) above, then the Participant will be deemed to have elected the next in-service distribution date that satisfies such requirements. The Committee, in its discretion, may limit the available in-service distribution dates to a specific date or specific dates (such as the first day of a month or quarter); such discretion may be exercised (among other means) by limiting the available in-service distribution dates on the election forms to be used by Participants.

A Participant may change his or her in-service distribution date elected under Section 8.1(b)(ii) or 8.1(d)(ii) to a later date (but not an earlier date); provided (1) that such a change election must be filed with the Committee at least one year prior to the original in-service distribution date, (2) that such a change election will not be effective until at least one year after the date on which the election is made, (3) that, except in the case of elections related to distributions on account of death, Disability or Unforeseeable Emergency, such a change election shall defer the payment date (or payment

commencement date) to a date that is not less than five years from the date such payment would otherwise have been made (or commenced), and (4) that such a change election must be made on a form and in a manner prescribed by the Committee.

Notwithstanding any other provision of this Plan, a Participant who is a “specified employee” (as such term is defined in Section 409A(a)(2)(B)(i) of the Code) shall not receive any distribution made pursuant to a termination of such Participant’s employment or services with the Company and its Subsidiaries before the date that is six months after such Participant’s Termination Date (or, if earlier, the date of the Participant’s death).

8.2 *Form of Distributions.* At the time of making a Salary and/or Bonus Deferral Election pursuant to Section 4, each Participant shall designate, on a form and in a manner prescribed by the Committee, the manner in which such benefits shall be paid.

The Participant may elect one of the following payment forms:

- (a) A lump sum payment; or
- (b) Substantially equal quarterly installments over a period of one to fifteen years, as specified in the Participant’s election.

If the Participant fails to specify a payment form as provided in this Section 8.2, unless the Committee otherwise provides, the Participant shall be deemed to have elected payment (i) in substantially equal quarterly installments over five years (for amounts deferred prior to 2016), and (ii) a lump sum payment (for amounts deferred after 2015). The initial installment of any series of installments shall be made as soon as administratively practicable following the payment commencement date determined under Section 8.1. The Committee, in its discretion, may limit the available quarterly distribution dates to a specific date or specific dates (such as the first day of a month or quarter); such discretion may be exercised (among other means) by limiting the available quarterly distribution dates on the election forms to be used by Participants.

Subject to the following provisions in this paragraph and Section 8.3, no changes may be made to a payment election under this Section 8.2 after such election is filed. A Participant may change his or her form of payment election (for example, from a lump sum to installments), provided (1) that such a change election must be filed with the Committee at least one year prior to the date distributions would commence (i.e. the Participant’s Termination Date or in-service distribution date, as applicable), (2) that such a change election will not be effective until at least one year after the date on which the election is made, (3) that, except in the case of elections related to distributions on account of death, Disability or Unforeseeable Emergency, such a change election shall include a deferral of the payment date (or payment commencement date) to a date that is not less than five years from the date such payment would otherwise have been made (or commenced), and (4) that such a change election must be made on a form and in a manner prescribed by the Committee.

8.3 *Company Performance Contributions.* No later than (i) thirty (30) days after the crediting of a Company Performance Contribution to a Participant’s Account pursuant to Section 5 is approved by the Committee and (ii) twelve (12) months prior to the date that

any portion of such Company Performance Contribution becomes vested, the Participant shall designate, on a form and in a manner prescribed by the Committee, the time or times at which such Company Contributions and any related earnings thereon will be paid and the form of any such payment. Such election shall be made in accordance with and subject to the requirements set forth in Sections 8.1 and 8.2. For Company Performance Contributions approved before January 1, 2014, if the Participant elects an in-service distribution date, such date shall be the first business day selected by the Participant which occurs after the date such Company Performance Contribution becomes fully vested pursuant to Section 7.2. For Company Performance Contributions approved on or after January 1, 2014, the Participant may elect separate in-service distribution dates for each installment of such Company Performance Contribution as such installment becomes vested; each such date shall be the first business day selected by the Participant which occurs after the date such installment becomes vested. If a Participant is credited with a Company Performance Contribution and does not timely make a distribution election under this Section 8.3, the Participant shall be deemed to have elected payment in a lump sum commencing on the first business day of a fiscal quarter as soon as administratively practicable following the Participant's Termination Date.

8.4 *Withdrawals for Unforeseeable Emergencies.* A Participant (or former Participant) may request a distribution from his or her Deferral Account for an Unforeseeable Emergency (as defined below) without penalty. Such distribution for an Unforeseeable Emergency shall be subject to approval by the Committee and may be made only to the extent necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution) and only from amounts credited to the Participant's Deferral Account. A distribution for an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's (or Beneficiary's) assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or (3) by cessation of deferrals under this Plan. The Committee may require that the Participant (or Beneficiary) provide a written representation that any such distribution satisfies the requirements set forth in this Section 8.4. Notwithstanding the foregoing, a Participant may receive a distribution for an Unforeseeable Emergency under this Plan prior to a hardship withdrawal under any plan described in Section 401(k) of the Code.

For purposes of this Section 8.4, an "Unforeseeable Emergency" shall mean a severe financial hardship of the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. (For purposes of this definition, the term "Participant" shall include the Participant's Beneficiary in the event of the Participant's death.) The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case. The purchase of a home and the payment of college tuition would typically not be considered to be Unforeseeable Emergencies.

8.5 *Section 162(m).* Notwithstanding anything in this Section 8 to the contrary, if the Committee determines in good faith that there is a reasonable likelihood that any benefits paid to a Participant for a taxable year of the Company would not be deductible by the Company solely by reason of the limitation under Section 162(m) of the Code, then, to the extent reasonably deemed necessary by the Committee to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Committee may defer all or any portion of a distribution under this Plan. The amounts so deferred shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Committee in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company during which the distribution is made will not be limited by Section 162(m) of the Code.

8.6 *Inability to Locate Participant.* In the event that the Committee is unable to locate a Participant or Beneficiary within two years following the Participant's Termination Date, or if later, within two years following the date on which benefits hereunder are to commence, the amount allocated to the Participant's Accounts shall be forfeited. If, within the six-year period following the date of such forfeiture, the Participant or Beneficiary later claims such benefits, such benefits shall be reinstated without interest. Benefits forfeited pursuant to this Section 8.6 shall not be reinstated under any circumstances if the Committee does not receive a claim to such benefits within the six-year period following the date of forfeiture.

8.7 *Distributions on Death.* In the event of a termination of the Participant's employment or services with the Company and its Affiliates due to the Participant's death, the Participant's Account shall be paid to the Participant's Beneficiary in a lump sum during the calendar quarter following the quarter in which the Committee receives notice satisfactory to it of the Participant's death. In the event that a Participant or former Participant dies after his or her Termination Date and before his or her entire Account balance has been paid out, the balance of the Participant's Account shall be paid to the Participant's Beneficiary, in the form of a lump sum payment, as soon as administratively practicable.

8.8 *Liability for Payment.* Notwithstanding anything else in this Plan to the contrary: (1) a Participant's benefits with respect to this Plan shall be paid by the Participating Affiliate to whose employment of the Participant such benefits relate, and (2) a Participant shall have no right or claim to Plan benefits from any other Participating Affiliate other than the employer referenced in the foregoing clause.

8.9 *Legislation or Regulations.* Any provision of this Section 8 with respect to distributions to a Participant shall become null and void in the event that any legislation or regulations applicable to benefits under this Plan is adopted that would require such Participant to be immediately subject to federal income tax for amounts of Compensation deferred under Section 4.1 above. The remaining provisions of this Plan shall continue in effect.

9. **PLAN ADMINISTRATION**

9.1 **Committee.** The Committee shall be appointed as set forth in the Company's governing documents.

9.2 **Committee Action.** The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by a majority of the members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as an Participant. The Chairman or any other member or members of the Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee.

9.3 **Powers and Duties of the Committee.** The Committee, on behalf of the Participants and their Beneficiaries, shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and to make factual determinations hereunder;
- (b) To compute and certify the amount and kind of benefits payable to Participants and their Beneficiaries, and to determine the time and manner in which such benefits are paid;
- (c) To maintain all records that may be necessary for the administration of this Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan as are not inconsistent with the terms hereof;
- (f) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of this Plan as the Committee may from time to time prescribe (including but not limited to the power to approve the designation of Subsidiaries as Participating Affiliates under this Plan); and
- (g) To require or permit Participant (or Beneficiary, as the context may require) elections and/or consents under this Plan to be made by means of such electronic media as the Committee may prescribe.

9.4 *Construction and Interpretation.* Prior to a Change in Control Event, the Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretation or construction shall be final and binding on all parties, including but not limited to the Company and any Participant or Beneficiary. Any interpretation, construction or determination made after a Change in Control Event shall be subject to review by an arbitrator on a *de novo* basis in accordance with Section 10.11 below. The Committee shall administer the terms and provisions of this Plan in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to this Plan.

9.5 *Compensation, Expenses and Indemnity.* The members of the Committee shall serve without compensation for their services hereunder. Expenses and fees in connection with the administration of this Plan shall be paid by the Company. The Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. To the extent permitted by applicable state law, the Company shall indemnify and save harmless the Committee and each member thereof, the Board of Directors and any delegate of the Committee who is an employee of a Participating Affiliate against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to this Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Participating Affiliate or provided by the Participating Affiliate under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

9.6 *Quarterly Statements.* Under procedures established by the Committee, a Participant shall receive a statement with respect to such Participant's Accounts on a quarterly basis as of each January 31, April 30, July 31 and October 31.

10. MISCELLANEOUS

10.1 *Unsecured General Creditor.* Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of any Participating Affiliate. No assets of any Participating Affiliate shall be held under any trust or held in any way as collateral security for the fulfilling of the obligations of any Participating Affiliate. Any and all of each Participating Affiliate's assets shall be, and remain, the general unpledged, unrestricted assets of the Participating Affiliate. Each Participating Affiliate's obligations under this Plan shall be merely that of an unfunded and unsecured promise of the Participating Affiliate to pay money in the future to those persons to whom the Participating Affiliate has a benefit obligation under this Plan (as determined in accordance with the terms hereof including, without limitation, Section 8.8), and the respective rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

10.2 *Restriction Against Assignment.* The respective Participating Affiliate shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of a Participant's Accounts shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or

successors in interest, nor shall a Participant's Accounts be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

10.3 *Tax Withholding.* The Company (or the Subsidiary by which the Participant is employed) may satisfy any state or federal employment tax withholding obligation, or such other withholding obligation as required by the Company's (or Subsidiary's) jurisdiction, with respect to Compensation deferred under this Plan by deducting such amounts from any compensation payable by the Company (or a Subsidiary) to the Participant. There shall be deducted from each payment or distribution made under this Plan, or any other compensation payable to the Participant (or Beneficiary), all taxes which are required to be withheld by the Company (or a Subsidiary) in respect to such payment or distribution or this Plan. If the Company, for any reason, elects not to (or cannot) satisfy the withholding obligation from the amounts otherwise payable under this Plan, the Participant shall pay or provide for payment in cash of the amount of any taxes which the Company (or a Subsidiary) may be required to withhold with respect to the benefits hereunder.

10.4 *Amendment, Modification, Suspension or Termination.* The Board or the Committee may amend, modify, suspend or terminate this Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any amounts allocated to a Participant's Accounts or accelerate or defer the timing of any distributions under this Plan as provided in Section 8. A Participating Affiliate may elect to terminate its status as such at any time and, in such event, such termination shall not affect the Participating Affiliate's obligations under this Plan with respect to amounts previously credited and/or deferred under this Plan (including earnings thereon) for which the Participating Affiliate is liable.

10.5 *Governing Law; Severability.* This Plan shall be construed, governed and administered in accordance with the laws of the State of Delaware. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective. To the extent that the Plan is subject to Section 409A of the Code, the Plan shall be construed and interpreted to the maximum extent reasonably possible to avoid the imputation of any tax, penalty or interest pursuant to Section 409A. The Company reserves the right to amend the Plan to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of deferrals made under the Plan in light of Section 409A and any regulations or other guidance promulgated thereunder. *However*, in no event whatsoever will the Company or any Subsidiary be liable for any additional tax, interest or penalties that may be imposed on a Participant under Code Section 409A or any damages for failing to comply with Code Section 409A.

10.6 *Receipt or Release.* Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee, the Company and the Subsidiaries. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.7 *Payment on Behalf of Persons Under Incapacity.* In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee, the Company and the Subsidiaries.

10.8 *No Right to Employment.* Participation in this Plan shall not give any person the right to continued employment or service or any rights or interests other than as expressly provided herein. No Participant shall have any right to any payment or benefit hereunder except to the extent provided in this Plan.

10.9 *Titles and Headings.* Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

10.10 *Claims Procedure.* A person who believes that he or she is being denied a benefit to which he or she is entitled under this Plan (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee, setting forth his or her claim. The request must be addressed to the Committee at the Company's then principal executive offices.

Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Committee may, however, extend the reply period for an additional ninety (90) days for special circumstances. If the claim is denied in whole or in part, the Committee shall inform the Claimant in writing, using language calculated to be understood by the Claimant, setting forth: (i) the specified reason or reasons for such denial, (ii) the specific reference to pertinent provisions of this Plan on which such denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary, (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and (v) the time limits for requesting a review set forth below.

Within sixty (60) days after the receipt by the Claimant of the written reply described above, the Claimant may request in writing that the Committee review its determination. Such request must be addressed to the Committee at the Company's then principal executive offices. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Committee. If the Claimant does not request a review within such

sixty (60) day period, he or she shall be barred and estopped from challenging the Committee's determination.

Within sixty (60) days after the Committee's receipt of a request for review, after considering all materials presented by the Claimant, the Committee will inform the Claimant in writing, in manner calculated to be understood by the Claimant, of its decision setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

10.11 *Arbitration.* Any dispute regarding the Plan shall be submitted to mandatory, binding arbitration in Los Angeles, California before a single arbitrator provided by JAMS. A Claimant must exhaust the claims procedure set forth in Section 10.10 as a condition of commencing arbitration. If a civil action concerning the Plan has been brought, the Company and the Claimant shall take such actions as are necessary or appropriate, including dismissal of the civil action, so that the arbitration can be timely heard. Once arbitration is commenced, it may not be discontinued without the unanimous consent of all parties to the arbitration.

Any claim for arbitration may be submitted as follows: if the Claimant disagrees with an interpretation of this Plan by the Company or any fiduciary of this Plan, or disagrees with the calculation of his or her benefit under this Plan, the Claimant may, after exhaustion of the claims procedure set forth in Section 10.10, demand in writing that such claim be submitted to arbitration as provided in this Section 10.11. The arbitrator must be either (i) a lawyer with at least ten (10) years of active practice in the area of employee benefits/executive compensation or (ii) a retired California Superior Court or Appellate Court judge. If the Claimant and the Company do not agree on an arbitrator, JAMS shall send the Claimant and the Company a list of at least five (5) arbitrator candidates. JAMS shall also provide each party with a brief description of the background and experience of each arbitrator candidate. JAMS may replace any or all names on the list of arbitrator candidates for reasonable cause at any time before the parties have submitted their choice pursuant to the next sentence. Within seven (7) calendar days of service upon the parties of the list of names, the Company and the Claimant each may strike two (2) names, and shall rank the remaining arbitrator candidates in order of preference. The remaining arbitrator candidate with the highest composite ranking shall be appointed the arbitrator. JAMS may grant a reasonable extension of the time to strike and rank the arbitrator candidates to any party without the consent of the other parties. If this process does not yield an arbitrator, JAMS shall designate the arbitrator. If a party fails to respond to a list of Arbitrator candidates within seven (7) calendar days after its service, or fails to respond according to the instructions provided by JAMS, JAMS shall deem that party to have accepted all of the Arbitrator candidates.

Except as provided in this Section 10.11, the arbitration shall be administered pursuant to the JAMS Employment Arbitration Rules and Procedures (or the successor to such rules and procedures) as then in effect. The arbitration hearing shall be held within thirty days (or as soon thereafter as feasible) after the selection of the arbitrator. Absence from or

non-participation at the hearing by any party shall not prevent the issuance of an award. Hearing procedures intended by the arbitrator to expedite the hearing may be ordered at the arbitrator's discretion, and the arbitrator may close the hearing in his or her sole discretion when he or she decides he or she has heard sufficient evidence to justify issuance of an award. The arbitrator shall apply the same standard of review referred to in Section 9.4 as would be applied by a court of proper jurisdiction. Accordingly, with respect to any interpretation, construction or determination by the Committee prior to a Change in Control Event, (i) the arbitrator shall not apply a de novo standard of review in reviewing the decision rendered through the claims procedure set forth in Section 10.10, but rather shall review the Committee's interpretation, construction or determination under an abuse of discretion standard, and (ii) the arbitrator's decision shall be based on the record presented in the claims procedure set forth in Section 10.10, and additional evidence shall be limited to that evidence (if any) that the arbitrator determines could appropriately be considered by a court of proper jurisdiction in applying the abuse of discretion standard. With respect to any interpretation, construction or determination by the Committee upon and after a Change in Control Event, the arbitrator shall apply a de novo standard of review.

The arbitrator's award shall be rendered as expeditiously as feasible. In the event the arbitrator finds that the Claimant is entitled to the benefits he or she claimed, the arbitrator shall order the Company to pay or deliver such benefits, in the amounts and at such time as the arbitrator determines. The award of the arbitrator shall be final and binding on the parties. The award may be enforced in any appropriate court as soon as possible after its rendition. If any action is brought to confirm the award, no appeal shall be taken by any party from any decision rendered in such action.

If a Change in Control Event has occurred and the arbitrator determines that the Claimant is entitled to the claimed benefits, the arbitrator shall direct the Company to pay to the Claimant, and the Company shall pay to the Claimant in accordance with such order, an amount equal to the Claimant's expenses in pursuing the claim, including attorneys' fees.

IN WITNESS WHEREOF, the Company has caused this amended and restated document to be executed by its duly authorized officer effective as of January 1, 2019.

KORN FERRY

By: _____

Print Name: _____

Its: _____

KORN FERRY
EXECUTIVE CAPITAL ACCUMULATION PLAN

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**KORN FERRY
LONG TERM PERFORMANCE UNIT PLAN**

(as amended and restated effective December 4, 2019)

1. PURPOSE OF PLAN

The purpose of this Plan is to promote the success of the Company by providing a select group of management and highly compensated employees with nonqualified supplemental retirement benefits as an additional means to attract, motivate and retain such employees. Only Eligible Employees (as defined herein) are eligible to participate in this Plan.

2. DEFINITIONS

Whenever the following words and phrases are used in this Plan, with the first letter capitalized, they shall have the meanings specified below.

“Annual Benefit” with respect to any Unit Award shall mean \$25,000 (or the lesser amount determined under Section 4.1.2 for a Participant who elects that the Annual Benefit be paid over a longer period than five years). However, if expressly provided in a Unit Award Agreement, the Annual Benefit shall be subject to the positive or negative adjustment, if any, as set forth in Section 6.2.

“Annual Benefit Commencement Date” shall mean the date determined under Section 4.1.

“Beneficiary” or “Beneficiaries” shall mean the person or persons, including a trustee, personal representative or other fiduciary, last designated in writing by a Participant, in accordance with procedures established by the Committee, to receive the benefits specified hereunder in the event of the Participant’s death. No beneficiary designation shall become effective until it is filed with the Committee, and no beneficiary designation of someone other than the Participant’s spouse shall be effective unless such designation is consented to by the Participant’s spouse on a form provided by and in accordance with the procedures established by the Committee. If there is no Beneficiary designation in effect, or if there is no surviving designated Beneficiary, then the Participant’s surviving spouse shall be the Beneficiary. If there is no surviving spouse to receive any benefits payable in accordance with the preceding sentence, the duly appointed and currently acting personal representative of the Participant’s estate (which shall include either the Participant’s probate estate or living trust) shall be the Beneficiary. In any case where there is no such personal representative of the Participant’s estate duly appointed and acting in that capacity within 90 days after the Participant’s death (or such extended period as the Committee determines is reasonably necessary to allow such personal representative to be appointed, but not to exceed 180 days after the Participant’s death), then “Beneficiary” shall mean the person or persons who can verify by affidavit or court order to the satisfaction of the Committee that they are legally entitled to receive the benefits specified hereunder. In the event any amount is payable under this Plan to a minor, payment shall not be made to the minor, but instead be paid (a) to that person’s living parent(s) to act as custodian, (b) if that person’s parents are then divorced, and one parent is the sole custodial parent, to such custodial parent, or (c) if no parent of that person is then living, to a custodian selected by the Committee to hold the funds for the minor under the Uniform Transfers or Gifts to Minors Act in effect in the jurisdiction in which the minor resides. If no parent is living and the Committee decides not to select another custodian to hold the funds for the minor, then payment shall be made to the duly appointed and currently acting guardian of the estate for the minor or, if no guardian of the estate for the minor is duly appointed and currently acting within 60 days after the date the amount becomes payable, payment shall be deposited with the court having jurisdiction over the estate of the minor.

“Board of Directors” or “Board” shall mean the Board of Directors of the Company.

“Change in Control Event” shall mean any of the following:

- (a) An acquisition by any Person (excluding one or more Excluded Persons) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) or a pecuniary interest in (either comprising “ownership of”) more than 30% of the Common Stock or voting securities entitled to
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then vote generally in the election of directors of the Company (“Voting Stock”), after giving effect to any new issue in the case of an acquisition from the Company; or

- (b) Consummation of a merger, consolidation, or reorganization of the Company or of a sale or other disposition of all or substantially all of the Company’s consolidated assets as an entirety (collectively, a “Business Combination”), other than a Business Combination (1) in which all or substantially all of the holders of Voting Stock hold or receive directly or indirectly 70% or more of the voting stock of the entity resulting from the Business Combination (or a parent company), and (2) after which no Person (other than any one or more of the Excluded Persons) owns more than 30% of the voting stock of the resulting entity (or a parent company) who did not own directly or indirectly at least that amount of Voting Stock immediately before the Business Combination, and (3) after which one or more Excluded Persons own an aggregate number of shares of the voting stock at least equal to the aggregate number of shares of voting stock owned by any other Person who is not an Excluded Person (except for any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act), if any, and who owns more than 30% of the voting stock; or
- (c) Approval by the Board and (if required by law) by shareholders of the Company of a plan to consummate the dissolution or complete liquidation of the Company; or
- (d) During any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (a) or (b) of this definition) whose appointment, election, or nomination for election was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board.

For purposes of determining whether a Change in Control Event has occurred, a transaction includes all transactions in a series of related transactions.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Committee” shall mean the Compensation Committee of the Board, which shall administer this Plan in accordance with Section 9.

“Company” shall mean Korn Ferry, a Delaware corporation, and any successor corporation.

“Detrimental Activity” with respect to a Participant shall mean that such Participant:

- (a) has directly or indirectly engaged in any business for his or her own account that competes with the business of any entity within the Company Group (“Company Group” means the Company, the Subsidiaries, and any affiliate of the Company or a Subsidiary) (a business in competition with any entity within the Company Group includes, without limitation, any business in an industry which any business in the Company Group may conduct business from time to time and any business in an industry which any entity within the Company Group has specific plans to enter in the future and as to which the Participant is aware of such planning);
 - (b) has committed or engaged in an unauthorized disclosure or use of inside information, trade secrets or other confidential information, or an unauthorized use of trade names, trademarks, or other proprietary business designations owned or used in connection with the business of any entity within the Company Group; has failed to timely return to the Company in accordance with Company policy all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of any entity within the Company Group;
 - (c) has entered the employ of, renders services to, or has acquired a financial interest in any person engaged in any business that competes with the business of any entity within the Company Group; has acted intentionally in a manner injurious to the reputation, business or assets of, any entity within
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the Company Group; has interfered with business relationships (whether formed before or after the date hereof) between the Company, any Subsidiary, any of their respective affiliates, and any customers, suppliers, officers, employees, partners, members or investors; has influenced or attempted to influence a vendor or customer of any entity within the Company Group, either directly or indirectly, to divert their business away from the Company Group, induced a principal for whom an entity within the Company Group acts as agent to terminate such agency relationship, or induced an employee of any entity within the Company Group who earned \$25,000 or more on an annualized basis during the last six months of his or her employment to work for any business, individual, partnership, firm, corporation, or other entity then in competition with the business of any entity within the Company Group; or

- (d) has agreed to take any action, or has expressed an intention to take any action, if in either case such action would constitute Detrimental Activity under subsection (a), (b) or (c) or this definition when such action is performed.

“Disability” shall mean with respect to a Participant any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, by reason of which impairment the Participant is either unable to engage in any substantial gainful activity or is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant’s employer.

“Early Termination Date” shall have the meaning set forth in Section 5.1.

“Eligible Employee” shall mean any Officer or any employee of a Participating Affiliate who is in the position category of vice president or above and who customarily performs services for 30 or more hours per week for such Participating Affiliate.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Excluded Person” means

- (a) the Company or any Subsidiary;
- (b) any person described in and satisfying the conditions of Rule 13d-1(b)(1) under the Exchange Act);
- (c) any employee benefit plan of the Company or a Subsidiary;
- (d) any affiliates (within the meaning of the Exchange Act), successors, or heirs, descendants or members of the immediate families of the individuals identified in part (b) of this definition.

“Grant Date” shall mean, for each Unit Award, the date the Committee makes the Unit Award to the Participant, as set forth in the Participant’s Unit Award Agreement.

“Officer” shall mean the Chief Executive Officer, Chief Financial Officer, any Executive Vice President and any Vice President of the Company.

“Participant” shall mean any Eligible Employee who is selected for participation in the Plan.

“Participating Affiliate” shall mean the Company and any Subsidiary, which by resolution of its board of directors and with the approval of the Committee, elects to participate in this Plan. By electing to participate in this Plan, a Participating Affiliate agrees to be bound by any Plan amendment adopted by resolution of the Board of Directors or by the written instrument of any person to whom the Board of Directors has delegated its authority to adopt the amendment. If a Participating Affiliate ceases to be a Subsidiary, except by merger with its parent, the employment of each Eligible Employee of the Participating Affiliate shall be deemed to have terminated for purposes of this Plan,

except to any extent any such Eligible Employee is required by law to continue to be treated under the Plan as an employee of the Company.

“Plan” shall mean this Korn Ferry Long Term Performance Unit Plan set forth herein, now in effect, or as amended from time to time.

“Separation from Service” shall have the meaning defined in Section 409A of the Code and Treasury Regulations Section 1.409A-1(h).

“Subsidiary” shall mean (a) each corporation which is (directly or indirectly) 50% or more owned by the Company, and (b) each entity which is partially owned by the Company and is organized under the laws of a nation other than the United States of America.

“Termination Date” shall mean the date that the Participant’s has a “separation from service,” as defined in Section 409A of the Code, from the Company and its Subsidiaries for any reason.

“Termination For Cause” shall mean a termination of service, based upon a finding by the Company, acting in good faith and based on its reasonable belief at the time, that the Participant:

- (a) is or has been dishonest, incompetent, or negligent in the discharge of his or her duties to the Company; or has refused to perform stated or assigned duties; or
- (b) has committed a theft or embezzlement, or a breach of confidentiality or unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information, or a breach of fiduciary duty involving personal profit, or a willful or negligent violation of any law, rule or regulation or of Company rules or policy, in any material respect; or has been convicted (including a plea of guilty or nolo contendere) of a felony or misdemeanor (other than minor traffic violations or similar offenses); or
- (c) has materially breached any of the provisions of any agreement with the Company or a parent corporation; or
- (d) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of the Company; or has induced a customer to break or terminate any contract with the Company or an affiliate; or has induced any principal for whom the Company (or an affiliate) acts as agent to terminate such agency relationship; or
- (e) has made a misrepresentation or false statement in any application for employment, employment history, resume or other document submitted to the Company (whether before, during or after employment); or
- (f) has engaged in Detrimental Activity.

A Termination For Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Board or Committee) on the date when the Company first delivers notice to the Participant of a finding of Termination For Cause and shall be final in all respects on the date following the opportunity to be heard and written notice to the Participant that his or her service is terminated.

“Unit Award” shall mean an award granted under this Plan. A Unit Award has a base value of \$50,000 for purposes of determining the payment made for a partially-vested Unit Award upon an Early Termination Date. A Unit Award has a full value of \$125,000, which is the aggregate amount payable with respect to a fully-vested Unit Award (subject to the adjustment, if any, as set forth in Section 6.2).

“Unit Award Agreement” shall mean the written agreement evidencing an individual’s Unit Award granted under the Plan. The Unit Award Agreement may contain additional terms and conditions as agreed upon by the Company and the Participant.

3. PARTICIPATION AND UNIT AWARD GRANT

3.1 *Participation.* The Committee shall from time to time select from the class of Eligible Employees those particular Eligible Employees who will participate in this Plan. Notwithstanding anything else contained herein to the contrary, the Committee shall limit the class of persons selected to participate in this Plan to a select group of management or highly compensated employees, as set forth in Sections 201, 301 and 401 of ERISA. Participation shall commence upon the Committee making a Unit Award to a Participant.

3.2 *Unit Awards.* The Committee shall have discretion to grant Unit Awards to Eligible Employees selected to participate in the Plan, and shall have discretion to determine the amount and terms of each such Unit Award. The Committee may grant more than one Unit Award to a Participant under this Plan. Each grant of a Unit Award shall be evidenced by a Unit Award Agreement.

4. ELECTION OF ANNUAL BENEFIT COMMENCEMENT DATE AND PAYMENT PERIOD

4.1 *Initial Elections.* Unless the Participant (i) dies while an employee of the Company and its Subsidiaries, or (ii) makes an election as provided in Sections 4.1.1 or 4.2, the Annual Benefit Commencement Date with respect to a Unit Award shall be the seventh anniversary of the Grant Date of the Unit Award. Unless the Participant makes an election as provided in Section 4.1.2, the Annual Benefit shall be five equal installments each in the amount of one-fifth of the full Unit Award value (thus, in the absence of an adjustment under Section 6.2, the Annual Benefit is \$25,000).

4.1.1 Within thirty days of the Grant Date of each Unit Award, the Participant may elect, on a form and in the manner prescribed by the Committee, a later, but not earlier, Annual Benefit Commencement Date, provided that the date specified by the Participant shall not be a date after the Participant reaches age 70. In no case shall the Participant's Annual Benefit Commencement Date occur after the later of age 70 or the seventh anniversary of the Grant Date of the Unit Award.

4.1.2 Within thirty days of the Grant Date of each Unit Award, the Participant may elect, on a form and in the manner prescribed by the Committee, a longer, but not shorter, number of full years over which the Annual Benefit shall be paid. If the Participant elects a longer number of full years over which the Annual Benefit shall be paid, the amount of the Annual Benefit shall be the Unit Award value divided by the number of full years so elected by the Participant.

4.2 *Annual Benefit Commencement Date Election Changes.* The Participant may change the Annual Benefit Commencement Date applicable under Section 4.1 to the extent permitted by this Section 4.2. Any change must be made by providing notice to the Committee no less than twelve months prior to the previously applicable Annual Benefit Commencement Date. The new Annual Benefit Commencement Date must be at least 5 years after the previously applicable Annual Benefit Commencement Date, and the new Annual Benefit Commencement Date must be a date permitted under Section 4.1.1.

4.3 *No Right to Interest.* No interest or other increase in benefits is payable (i) to any Participant who elects a later Annual Benefit Commencement Date under Sections 4.1.1 or 4.2, or (ii) to any Participant who elects a longer number of full years over which the Annual Benefit shall be paid under Section 4.1.2. However, the Committee, in its sole discretion, may increase the amount payable to a Participant described in clause (i) or (ii) in an amount determined by the Committee in its sole discretion. No Participant shall have any contractual right to such an increase at any time prior to actual payment.

5. VESTING

5.1 *Entitlement to Annual Benefit.* The Annual Benefit shall be payable with respect to a Unit Award under any of the following circumstances:

- 5.1.1** The Participant continues to be employed by the Company through the fourth anniversary of the Grant Date for such Unit Award;
- 5.1.2** The Participant continues to be employed by the Company through the later of (i) the Participant's 65th birthday or (ii) the second anniversary of the Grant Date for such Unit Award;
- 5.1.3** The Participant dies while an employee of the Company and its Subsidiaries or incurs a Disability while an employee of the Company and its Subsidiaries; or
- 5.1.4** A Change in Control Event occurs while the Participant is employed by the Company.

If the Participant's Termination Date occurs before the Participant satisfies the requirements for payment of the Annual Benefit as provided in Sections 5.1.1 through 5.1.4, the Participant is deemed to have had an "Early Termination Date" with respect to such Unit Award. If the Participant has an Early Termination Date, (i) the Annual Benefit shall not be payable with respect to the Unit Award, and (ii) the payment (if any) with respect to the Unit Award shall be the amount (if any) determined under Section 5.2.

5.2 *Forfeiture or Lump Sum Payment.* If a Participant's Early Termination Date occurs before the date that is 13 months after the Grant Date with respect to a Unit Award, the Unit Award is forfeited and no payment shall be made to the Participant with respect to the Unit Award. If a Participant's Early Termination Date occurs on or after the date that is 13 months after the Grant Date with respect to a Unit Award, the Participant shall be entitled to a lump sum payment equal to the lesser of (x) \$50,000 or (y) the product of \$12,500 times the number of full years of service completed between the Grant Date and the Termination Date. Such payment shall be made on the first day of the seventh month following the Participant's Termination Date.

5.2.1 The following hypothetical example illustrates the calculation of the lump sum payment. For purposes of the hypothetical, assume the Participant has a Termination Date before reaching age 65 and after completing three full years of service after the Grant Date. Since the Termination Date was before the Participant satisfied the requirements for payment of the Annual Benefit, it was an Early Termination Date. Therefore, the Annual Benefit is not payable, and the Participant is entitled to a lump sum benefit of \$37,500.

6. DISTRIBUTION OF BENEFITS

6.1 *Annual Distributions.* With respect to each Unit Award for which the Annual Benefit becomes payable, during the calendar year that includes the Annual Benefit Commencement Date and once per year during each of the next four calendar years thereafter (or such longer period as elected by the Participant pursuant to Section 4.1.2), the Company shall pay the Participant an amount equal to the Annual Benefit.

6.1.1 Except as provided in Sections 6.1.2, the Annual Benefit Commencement Date is the date determined in Sections 4.1 and 4.2.

6.1.2 If the Participant's Separation from Service is on account of the Participant's death, the Annual Benefit Commencement Date shall be sixty days following the Participant's Separation from Service.

The payment date within any calendar year shall be determined by the Company. Notwithstanding any provision of the Plan to the contrary, any payments commencing due to a Participant's Separation from Service (other than his or her death) shall not be made prior to the date that is six months following the date of such Separation from Service.

6.2 *Adjustment to Annual Benefit.* The Committee may, in its sole discretion, provide in a Unit Award Agreement that the Annual Benefit is subject to the adjustment provided in this Section 6.2. Unless expressly provided in a Unit Award Agreement, the adjustment described in this Section 6.2 does not apply.

6.2.1 If the adjustment in this Section 6.2 applies, then the Unit Award value shall be increased (or decreased) according to a formula determined by the Committee at the time a Unit Award is granted, and such formula shall be specified in the Unit Award Agreement. By way of example and not limitation, such formula may be based on changes to the trading price of the Company's Common Stock during a period after the Unit Award is granted.

6.3 *Liability for Payment.* Notwithstanding anything else in this Plan to the contrary: (1) a Participant's benefits with respect to this Plan shall be paid by the Participating Affiliate to whose employment of the Participant such benefits relate, and (2) a Participant shall have no right or claim to Plan benefits from any other Participating Affiliate other than the employer referenced in the foregoing clause.

6.4 *Lump Sum Payment Following Disability.* If a Participant incurs a Disability while an employee of the Company and its Subsidiaries but before the Annual Benefit Commencement Date with respect to a Unit Award, then the payment under the Unit Award shall be a lump sum equal to five times the Annual Benefit. Such lump sum payment shall be in lieu of any other payments (including installment payments) with respect to a Unit Award. The lump sum payment shall be made during the calendar year in which the Participant incurred a Disability. The payment date within the calendar year shall be determined by the Company.

7. FORFEITURE; DETRIMENTAL ACTIVITY.

A Participant's rights with respect to the Unit Award, whether vested or unvested, shall terminate, become null and void, and be immediately forfeited if (i) the Participant's employment ends as a result of a Termination for Cause, or (ii) the Participant engages in any Detrimental Activity at any time prior to the date the last Annual Benefit payment is made under the Unit Award. In the event that the Committee determines that a Participant has engaged in Detrimental Activity at any time prior to the date the last Annual Benefit payment is made under the Unit Award, the Committee shall cease to make payments under the Plan to the Participant and the Participant will forfeit any remaining Unit Award or Annual Benefit. Determinations of whether (i) a Participant's employment has ended as a result of a Termination for Cause, and (ii) a Participant has engaged in Detrimental Activity shall be made by the Committee in its sole discretion. For avoidance of doubt, if a Unit Award is forfeited under this Section 7, the Participant and Beneficiary forfeit all rights to any payments under such Unit Award, even if such Unit Award had previously become fully or partially vested under Section 5.1 or Section 5.2. Notwithstanding the foregoing, the Committee, in its sole discretion, may provide that some or all of the benefit described in Section 5.2 (i.e., the vested portion of \$50,000) shall be payable to a Participant whose benefit is otherwise subject to forfeiture under this Section 7. No Participant shall have any contractual right to a payment described in the preceding sentence at any time prior to actual payment.

8. FUNDING

8.1 *Type of Plan.* The Plan is a defined benefit, unfunded, non-qualified deferred compensation plan. The benefits provided under this Plan are not based on any salary reduction by the Participants. Participants do not have the option of receiving any current payment or bonus in lieu of the benefits provided under this Plan.

8.2 *Rabbi Trust.* The Company may establish a "rabbi trust" to which contributions may be made to provide the Company with a source of funds for purposes of satisfying the obligations of the Company under the Plan. Any such trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan. The Participant and his Beneficiaries shall have no beneficial ownership interest in any assets held in the trust.

9. PLAN ADMINISTRATION

9.1 *Committee.* The Committee shall be appointed as set forth in the Company's governing documents.

9.2 *Committee Action.* The Committee shall act at meetings by affirmative vote of a majority of the members of the Committee. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by a majority of the members of the Committee and such written consent is filed with the minutes of the proceedings of the Committee. A member of the Committee shall not vote or act upon any matter which relates solely to himself or herself as a Participant. The Chairman or any other member or members of the Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee.

9.3 *Powers and Duties of the Committee.* The Committee, on behalf of the Participants and their Beneficiaries, shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the following:

- (a) To construe and interpret the terms and provisions of this Plan and to make factual determinations hereunder;
- (b) To compute and certify the amount and kind of benefits payable to Participants and their Beneficiaries, and to determine the time and manner in which such benefits are paid;
- (c) To maintain all records that may be necessary for the administration of this Plan;
- (d) To provide for the disclosure of all information and the filing or provision of all reports and statements to Participants, Beneficiaries or governmental agencies as shall be required by law;
- (e) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan as are not inconsistent with the terms hereof;
- (f) To appoint a plan administrator or any other agent, and to delegate to them such powers and duties in connection with the administration of this Plan as the Committee may from time to time prescribe (including but not limited to the power to approve the designation of Subsidiaries as Participating Affiliates under this Plan); and
- (g) To require or permit Participant (or Beneficiary, as the context may require) elections and/or consents under this Plan to be made by means of such electronic media as the Committee may prescribe.

9.4 *Construction and Interpretation.* Prior to a Change in Control Event, the Committee shall have full discretion to construe and interpret the terms and provisions of this Plan, which interpretation or construction shall be final and binding on all parties, including but not limited to the Company and any Participant or Beneficiary. Any interpretation, construction or determination made after a Change in Control Event shall be subject to review by an arbitrator on a *de novo* basis in accordance with Section 10.11 below. The Committee shall administer the terms and provisions of this Plan in a uniform and nondiscriminatory manner and in full accordance with any and all laws applicable to this Plan.

9.5 *Compensation, Expenses and Indemnity.* The members of the Committee shall serve without compensation for their services hereunder. Expenses and fees in connection with the administration of this Plan shall be paid by the Company. The Committee is authorized at the expense of the Company to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. To the extent permitted by applicable state law, the Company shall indemnify and save harmless the Committee and each member thereof, the Board of Directors and any delegate of the Committee who is an employee of

a Participating Affiliate against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to this Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Participating Affiliate or provided by the Participating Affiliate under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

10. MISCELLANEOUS

10.1 *Unsecured General Creditor.* Participants and their Beneficiaries, heirs, successors, and assigns shall have no legal or equitable rights, claims, or interest in any specific property or assets of any Participating Affiliate. No assets of any Participating Affiliate shall be held under any trust or held in any way as collateral security for the fulfilling of the obligations of any Participating Affiliate. Any and all of each Participating Affiliate's assets shall be, and remain, the general unpledged, unrestricted assets of the Participating Affiliate. Each Participating Affiliate's obligations under this Plan shall be merely that of an unfunded and unsecured promise of the Participating Affiliate to pay money in the future to those persons to whom the Participating Affiliate has a benefit obligation under this Plan, and the respective rights of the Participants and Beneficiaries shall be no greater than those of unsecured general creditors.

10.2 *Restriction Against Assignment.* The respective Participating Affiliate shall pay all amounts payable hereunder only to the person or persons designated by the Plan and not to any other person or corporation. No part of the Unit Award or Annual Benefit shall be liable for the debts, contracts, or engagements of any Participant, his or her Beneficiary, or successors in interest, nor shall a Participant's Unit Award or Annual Benefit be subject to execution by levy, attachment, or garnishment or by any other legal or equitable proceeding, nor shall any such person have any right to alienate, anticipate, commute, pledge, encumber, or assign any benefits or payments hereunder in any manner whatsoever. If any Participant, Beneficiary or successor in interest is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any distribution or payment from the Plan, voluntarily or involuntarily, the Committee, in its discretion, may cancel such distribution or payment (or any part thereof) to or for the benefit of such Participant, Beneficiary or successor in interest in such manner as the Committee shall direct.

10.3 *Tax Withholding.* The Company (or the Subsidiary by which the Participant is employed) may satisfy any state or federal employment tax withholding obligation, or such other withholding obligation as required by the Company's (or Subsidiary's) jurisdiction, with respect to the Unit Award under this Plan by deducting such amounts from any compensation payable by the Company (or a Subsidiary) to the Participant. There shall be deducted from each payment or distribution made under this Plan, or any other compensation payable to the Participant (or Beneficiary), all taxes which are required to be withheld by the Company (or a Subsidiary) in respect to such payment or distribution or this Plan. If the Company, for any reason, elects not to (or cannot) satisfy the withholding obligation from the amounts otherwise payable under this Plan, the Participant shall pay or provide for payment in cash of the amount of any taxes which the Company (or a Subsidiary) may be required to withhold with respect to the benefits hereunder.

10.4 *Amendment, Modification, Suspension or Termination.* The Board or the Committee may amend, modify, suspend or terminate this Plan in whole or in part, except that no amendment, modification, suspension or termination shall have any retroactive effect to reduce any outstanding Unit Awards or accelerate or defer the timing of any distributions under this Plan as provided in Sections 5 or 6. A Participating Affiliate may elect to terminate its status as such at any time and, in such event, such termination shall not affect the Participating Affiliate's obligations under this Plan with respect to amounts previously awarded under this Plan for which the Participating Affiliate is liable.

10.5 *Governing Law; Severability.* This Plan shall be construed, governed and administered in accordance with the laws of the State of Delaware. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective. To the extent that the Plan is subject to Section 409A of the Code, the Plan shall be construed and interpreted to the maximum extent reasonably possible to avoid the imputation of any

tax, penalty or interest pursuant to Section 409A. The Company reserves the right to amend the Plan to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of deferrals made under the Plan in light of Section 409A and any regulations or other guidance promulgated thereunder. However, in no event whatsoever will the Company or any Subsidiary be liable for any additional tax, interest or penalties that may be imposed on a Participant under Code Section 409A or any damages for failing to comply with Code Section 409A.

10.6 *Receipt or Release.* Any payment to a Participant or the Participant's Beneficiary in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Committee, the Company and the Subsidiaries. The Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect.

10.7 *Payment on Behalf of Persons Under Incapacity.* In the event that any amount becomes payable under the Plan to a person who, in the sole judgment of the Committee, is considered by reason of physical or mental condition to be unable to give a valid receipt therefore, the Committee may direct that such payment be made to any person found by the Committee, in its sole judgment, to have assumed the care of such person. Any payment made pursuant to such determination shall constitute a full release and discharge of the Committee, the Company and the Subsidiaries.

10.8 *No Right to Employment.* Participation in this Plan shall not give any person the right to continued employment or service or any rights or interests other than as expressly provided herein. No Participant shall have any right to any payment or benefit hereunder except to the extent provided in this Plan.

10.9 *Titles and Headings.* Headings and subheadings in this Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof.

10.10 *Claims Procedure.* A person who believes that he or she is being denied a benefit to which he or she is entitled under this Plan (hereinafter referred to as "Claimant") may file a written request for such benefit with the Committee, setting forth his or her claim. The request must be addressed to the Committee at the Company's then principal executive offices.

Upon receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within ninety days and shall, in fact, deliver such reply within such period. The Committee may, however, extend the reply period for an additional ninety days for special circumstances. If the claim is denied in whole or in part, the Committee shall inform the Claimant in writing, using language calculated to be understood by the Claimant, setting forth: (i) the specified reason or reasons for such denial, (ii) the specific reference to pertinent provisions of this Plan on which such denial is based, (iii) a description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary, (iv) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review, and (v) the time limits for requesting a review set forth below.

Within sixty days after the receipt by the Claimant of the written reply described above, the Claimant may request in writing that the Committee review its determination. Such request must be addressed to the Committee at the Company's then principal executive offices. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Committee. If the Claimant does not request a review within such sixty day period, he or she shall be barred and estopped from challenging the Committee's determination.

Within sixty days after the Committee's receipt of a request for review, after considering all materials presented by the Claimant, the Committee will inform the Claimant in writing, in manner calculated to be understood by the Claimant, of its decision setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Plan on which the decision is based. If special circumstances require that the sixty day time period be extended, the Committee will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty days after receipt of the request for review.

10.11 *Arbitration.* Any dispute regarding the Plan shall be submitted to mandatory, binding arbitration in Los Angeles, California before a single arbitrator provided by JAMS. A Claimant must exhaust the claims procedure set forth in Section 10.10 as a condition of commencing arbitration. If a civil action concerning the Plan has been brought, the Company and the Claimant shall take such actions as are necessary or appropriate, including dismissal of the civil action, so that the arbitration can be timely heard. Once arbitration is commenced, it may not be discontinued without the unanimous consent of all parties to the arbitration.

Any claim for arbitration may be submitted as follows: if the Claimant disagrees with an interpretation of this Plan by the Company or any fiduciary of this Plan, or disagrees with the calculation of his or her benefit under this Plan, the Claimant may, after exhaustion of the claims procedure set forth in Section 10.10, demand in writing that such claim be submitted to arbitration as provided in this Section 10.11. The arbitrator must be either (i) a lawyer with at least ten (10) years of active practice in the area of employee benefits/executive compensation or (ii) a retired California Superior Court or Appellate Court judge. If the Claimant and the Company do not agree on an arbitrator, JAMS shall send the Claimant and the Company a list of at least five (5) arbitrator candidates. JAMS shall also provide each party with a brief description of the background and experience of each arbitrator candidate. JAMS may replace any or all names on the list of arbitrator candidates for reasonable cause at any time before the parties have submitted their choice pursuant to the next sentence. Within seven (7) calendar days of service upon the parties of the list of names, the Company and the Claimant each may strike two (2) names, and shall rank the remaining arbitrator candidates in order of preference. The remaining arbitrator candidate with the highest composite ranking shall be appointed the arbitrator. JAMS may grant a reasonable extension of the time to strike and rank the arbitrator candidates to any party without the consent of the other parties. If this process does not yield an arbitrator, JAMS shall designate the arbitrator. If a party fails to respond to a list of Arbitrator candidates within seven (7) calendar days after its service, or fails to respond according to the instructions provided by JAMS, JAMS shall deem that party to have accepted all of the Arbitrator candidates.

Except as provided in this Section 10.11, the arbitration shall be administered pursuant to the JAMS Employment Arbitration Rules and Procedures (or the successor to such rules and procedures) as then in effect. The arbitration hearing shall be held within thirty days (or as soon thereafter as feasible) after the selection of the arbitrator. Absence from or non-participation at the hearing by any party shall not prevent the issuance of an award. Hearing procedures intended by the arbitrator to expedite the hearing may be ordered at the arbitrator's discretion, and the arbitrator may close the hearing in his or her sole discretion when he or she decides he or she has heard sufficient evidence to justify issuance of an award. The arbitrator shall apply the same standard of review referred to in Section 9.4 as would be applied by a court of proper jurisdiction. Accordingly, with respect to any interpretation, construction or determination by the Committee prior to a Change in Control Event, (i) the arbitrator shall not apply a de novo standard of review in reviewing the decision rendered through the claims procedure set forth in Section 10.10, but rather shall review the Committee's interpretation, construction or determination under an abuse of discretion standard, and (ii) the arbitrator's decision shall be based on the record presented in the claims procedure set forth in Section 10.10, and additional evidence shall be limited to that evidence (if any) that the arbitrator determines could appropriately be considered by a court of proper jurisdiction in applying the abuse of discretion standard. With respect to any interpretation, construction or determination by the Committee upon and after a Change in Control Event, the arbitrator shall apply a de novo standard of review.

The arbitrator's award shall be rendered as expeditiously as feasible. In the event the arbitrator finds that the Claimant is entitled to the benefits he or she claimed, the arbitrator shall order the Company to pay or deliver such benefits, in the amounts and at such time as the arbitrator determines. The award of the arbitrator shall be final and binding on the parties. The award may be enforced in any appropriate court as soon as possible after its rendition. If any action is brought to confirm the award, no appeal shall be taken by any party from any decision rendered in such action.

If a Change in Control Event has occurred and the arbitrator determines that the Claimant is entitled to the claimed benefits, the arbitrator shall direct the Company to pay to the Claimant, and the Company shall pay to the Claimant in accordance with such order, an amount equal to the Claimant's expenses in pursuing the claim, including attorneys' fees.



EXHIBIT 31.1

CERTIFICATIONS

I, Gary D. Burnison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn Ferry;
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(s) 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(s) 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.

By: /s/ GARY D. BURNISON

Name: **Gary D. Burnison**

Title: **Chief Executive Officer and President**

Date: March 11, 2020



EXHIBIT 31.2

CERTIFICATIONS

I, Robert P. Rozek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Korn Ferry;
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(s) 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(s) 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.

By: /s/ ROBERT P. ROZEK

Name: **Robert P. Rozek**

Title: **Executive Vice President, Chief Financial Officer, and Chief Corporate Officer**

Date: March 11, 2020



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

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officers of Korn Ferry, a Delaware corporation (the 'Company'), hereby certify that, to the best of their knowledge:

- (a) the Quarterly Report on Form 10-Q for the quarter ended January 31, 2020 (the 'Report') of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2020

By: /s/ GARY D. BURNISON
Name: Gary D. Burnison
Title: Chief Executive Officer and President

By: /s/ ROBERT P. ROZEK
Name: Robert P. Rozek
Title: Executive Vice President, Chief Financial Officer,
and Chief Corporate Officer