

# Korn / Ferry

FY'17 Qtr. 3

Earnings Conference Call

March 6, 2017



# Safe Harbor Statement

## Forward-Looking Statements

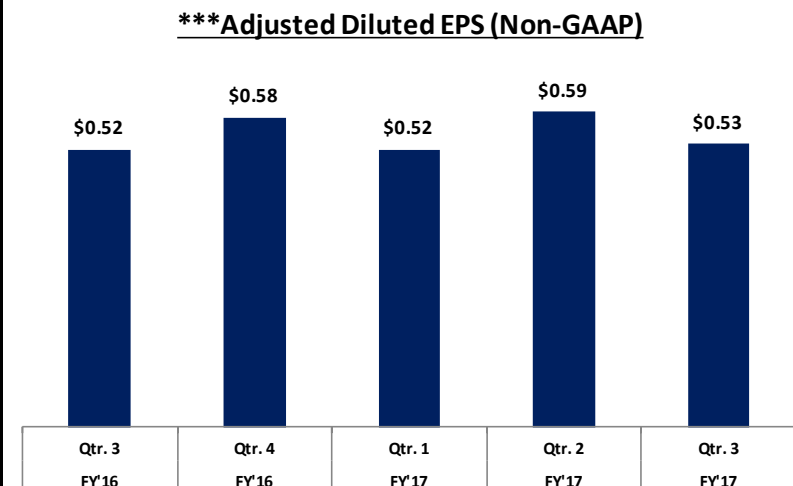
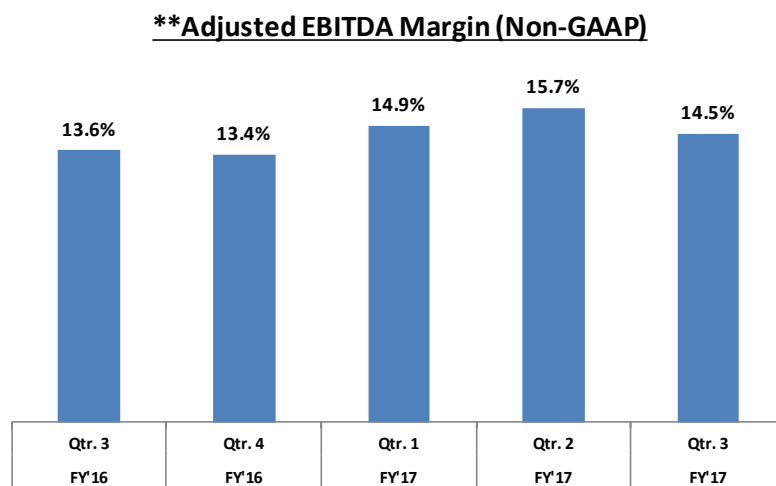
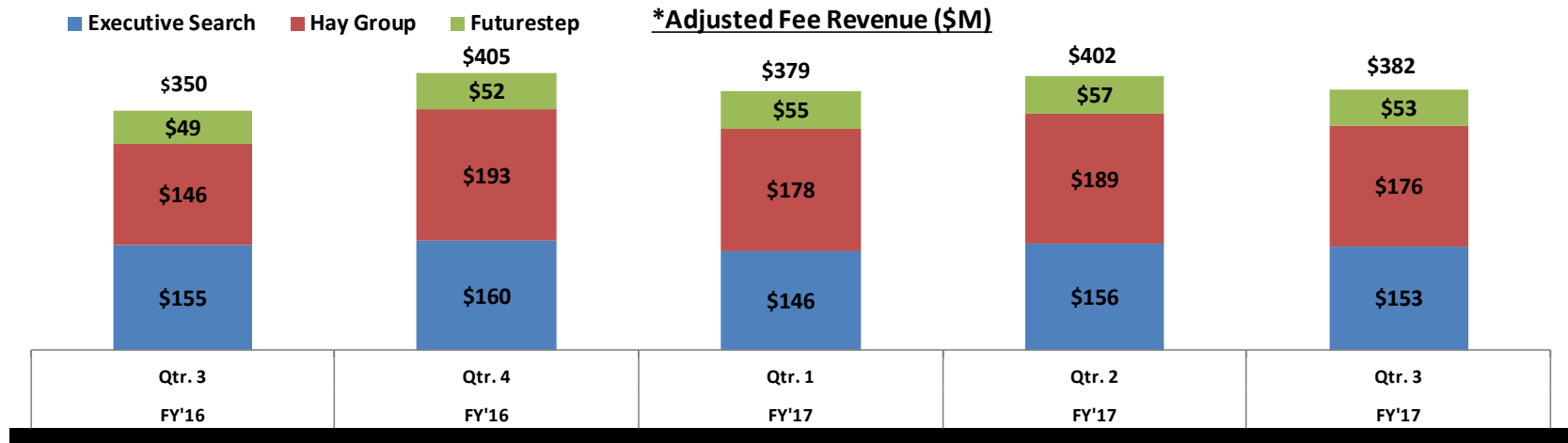
*Statements in this presentation that relate to future results and events are based on Korn/Ferry's current expectations. You are cautioned not to place undue reliance on such statements. Actual results in future periods may differ materially from those currently expected because of a number of risks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

## Non-GAAP Financial Metrics

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



# Korn / Ferry Quarterly Trends



\*FY'16 Qtr. 3 & 4 and FY'17 Qtr. 1 Excludes Hay Group Deferred Revenue Write-Off Related to the Acquisition

\*\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Hay Group Deferred Revenue Write-Off Related to the Acquisition, Restructuring and Management Separation Charges, Integration / Acquisition Costs and Venezuelan F/X Loss in FY'16 Qtr. 4

\*\*\*Diluted Earnings per Share Adjusted to Exclude the Net Impact of Hay Group Deferred Revenue Write-Off Related to the Acquisition, Restructuring and Management Separation Charges, Integration / Acquisition Costs, Venezuelan F/X Loss, Write-off of Debt Issuance Costs as Well as the Tax Effects of All These Adjustments



# Korn / Ferry

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

	FY'16 Qtr. 3	FY'17		Increase / (Decrease)			
		Qtr. 2	Qtr. 3	Year-over-Year		Sequential	
				\$M	%	\$M	%
Adjusted Fee Revenue	\$350.1	\$401.9	\$381.9	\$31.8	9.1%	(\$20.0)	(5.0%)
HG Deferred Revenue*	(5.9)	-	-	5.9	-	-	-
Fee Revenue	\$344.2	\$401.9	\$381.9	\$37.7	11.0%	(\$20.0)	(5.0%)
Reimbursed Expenses	14.7	13.0	12.3	(2.4)	(16.6%)	(0.7)	(5.4%)
Total Revenue	\$359.0	\$415.0	\$394.2	\$35.3	9.8%	(\$20.7)	(5.0%)
<b>Operating Expenses:</b>							
Compensation & Benefits	\$229.8	\$265.4	\$258.2	\$28.4	12.4%	(\$7.2)	(2.7%)
G&A Expenses	48.2	53.5	56.2	8.0	16.6%	2.8	5.0%
Reimbursed Expenses	14.7	13.0	12.3	(2.4)	(16.3%)	(0.7)	(5.4%)
Cost of Services	17.6	18.9	16.5	(1.1)	(6.3%)	(2.4)	(12.7%)
Deprec. & Amortiz. Exps.	10.3	11.8	11.8	1.5	14.6%	(0.0)	0.0%
Restruc. & Integ. / Acq. Chgs.**	52.4	5.8	8.6	(43.8)	(83.6%)	2.8	48.3%
Total Operating Exps.	\$373.0	\$368.4	\$363.7	(\$9.3)	(2.5%)	(\$4.7)	(1.3%)
Operating Income	(\$14.1)	\$46.5	\$30.5	\$44.6	316.3%	(\$16.0)	(34.4%)
Margin(%)	(4.1%)	11.6%	8.0%	12.1%	-	(3.6%)	-
***Adjusted EBITDA	\$47.7	\$63.3	\$55.3	\$7.6	15.9%	(\$8.0)	(12.6%)
***Adjusted EBITDA Margin(%)	13.6%	15.7%	14.5%	0.9%	-	(1.2%)	-

\*Hay Group Purchase Accounting Deferred Revenue Write-Off

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

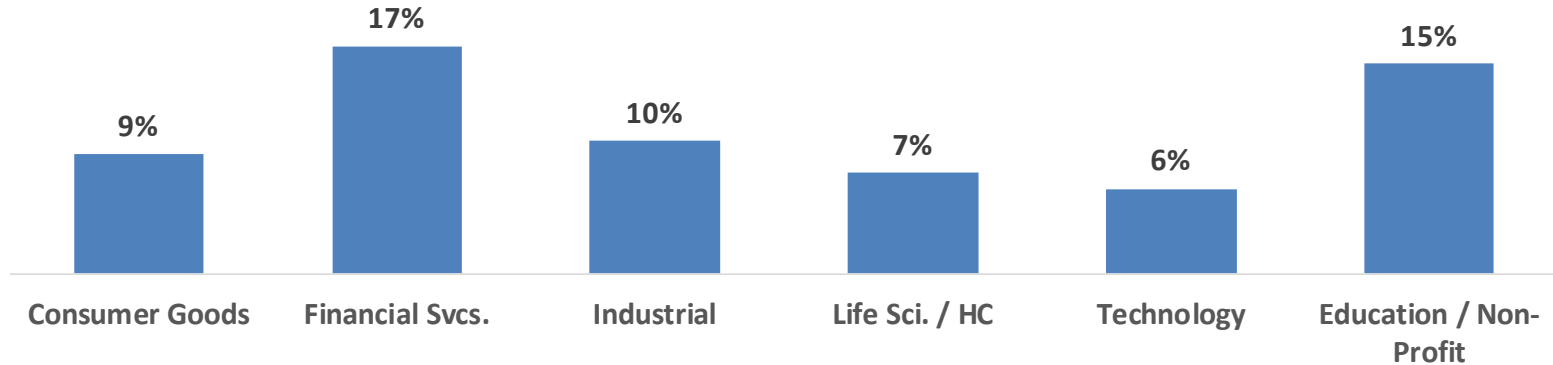
\*\*\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Hay Group Deferred Revenue Write-Off Related to the Acquisition, Restructuring Charges and Integration / Acquisition Costs



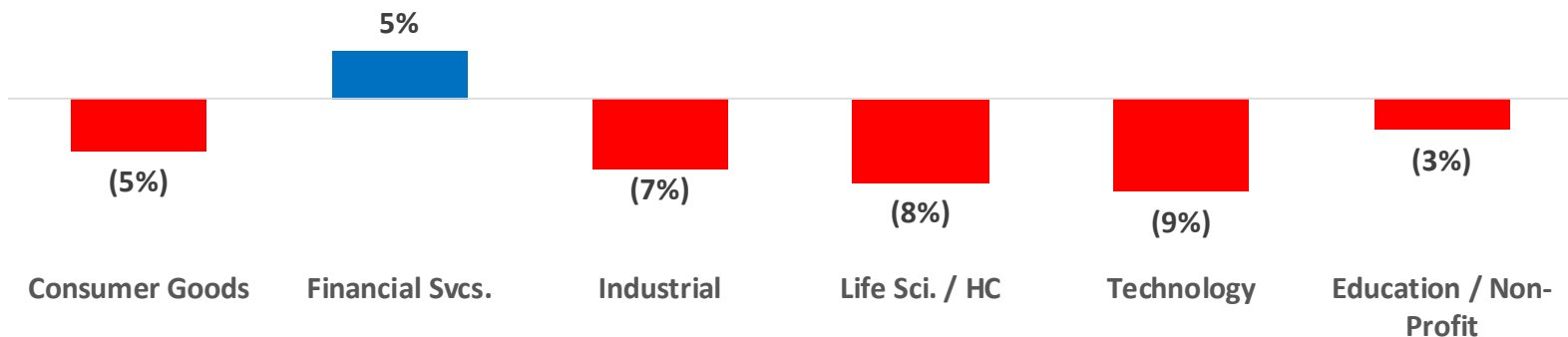
# Korn / Ferry

## Industry Practice Fee Revenue Growth Rate Comparisons

\*FY'17 Qtr. 3 vs. FY'16 Qtr. 3



FY'17 Qtr. 3 vs. FY'17 Qtr. 2



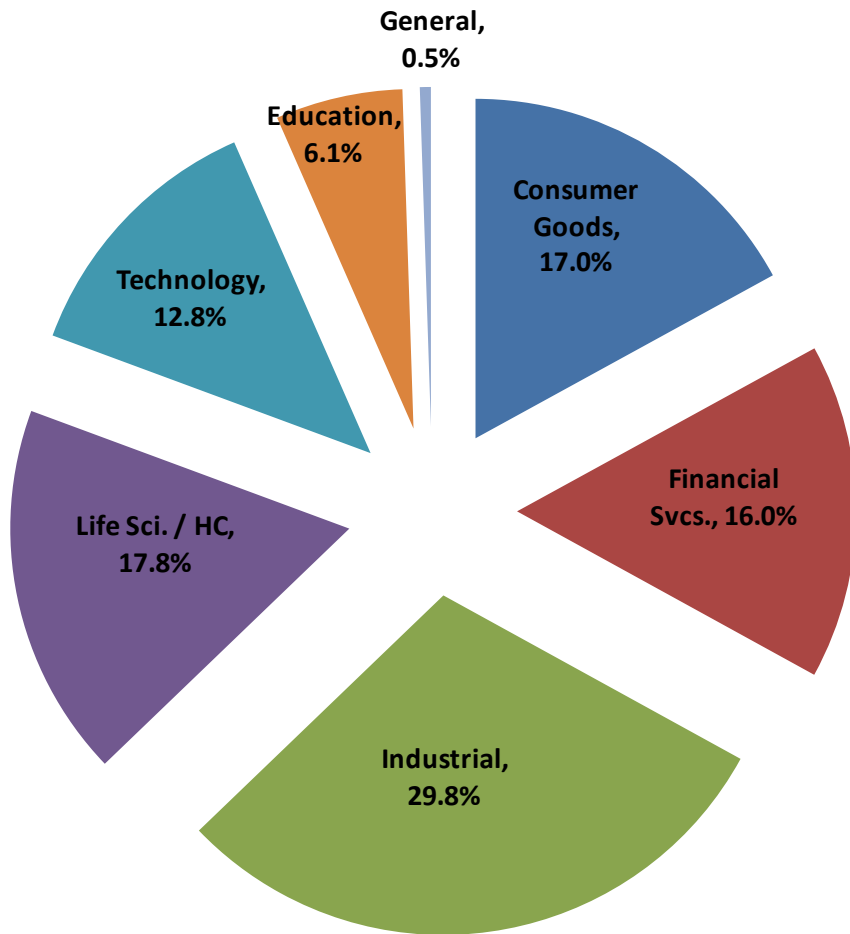
\* Year-over-Year Growth Rates Impacted By The Hay Group Acquisition, Which Closed December 1, 2015



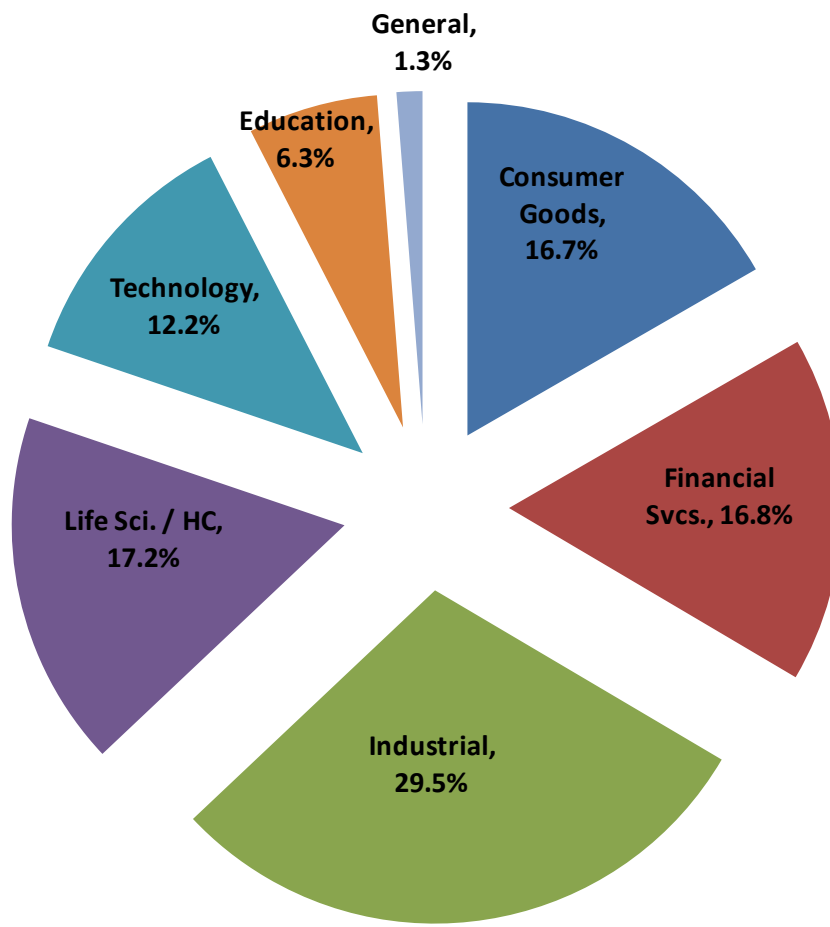
# Korn / Ferry

## Fee Revenue By Specialty Practice

FY'16 Qtr. 3

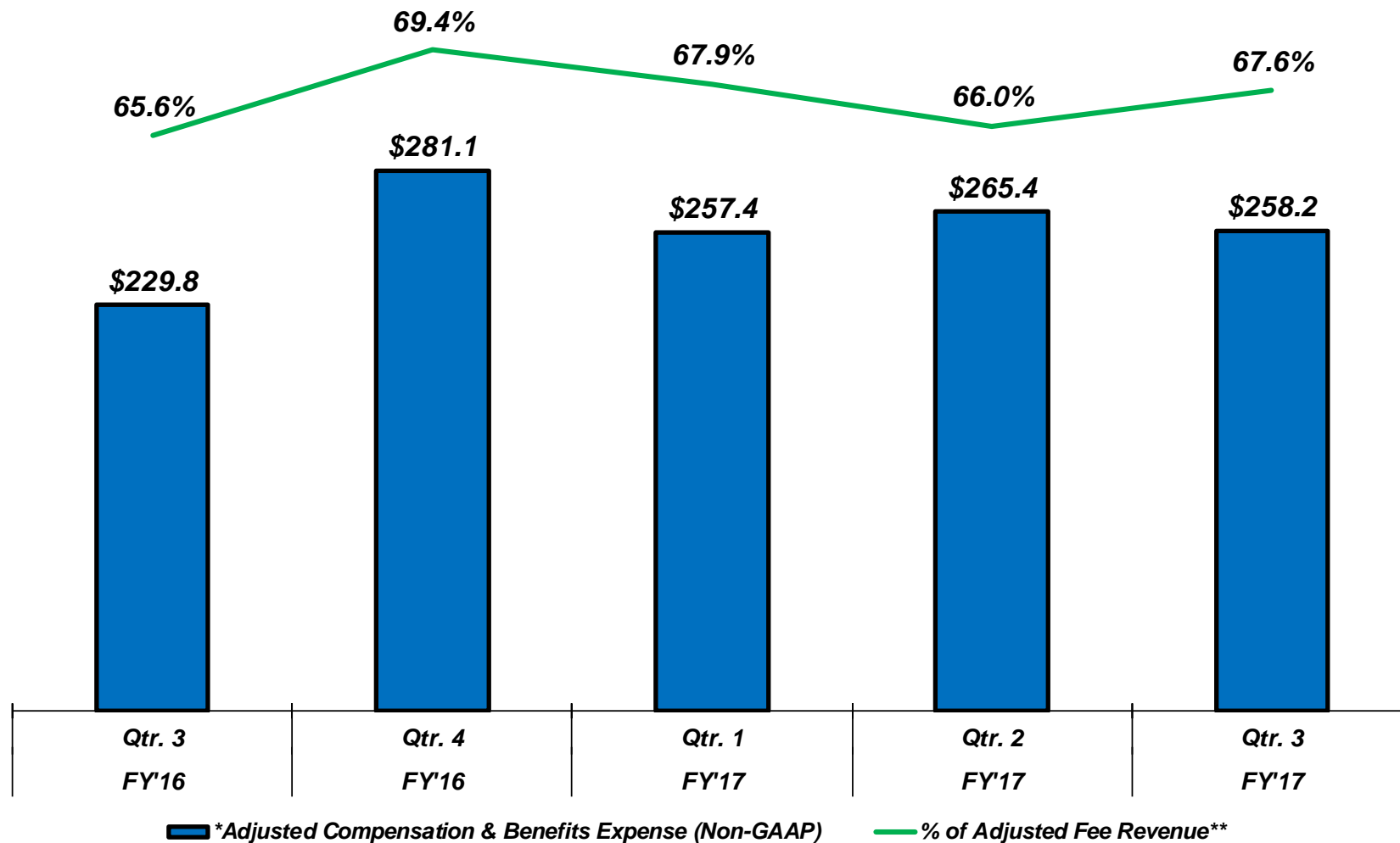


FY'17 Qtr. 3



# Korn / Ferry

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



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

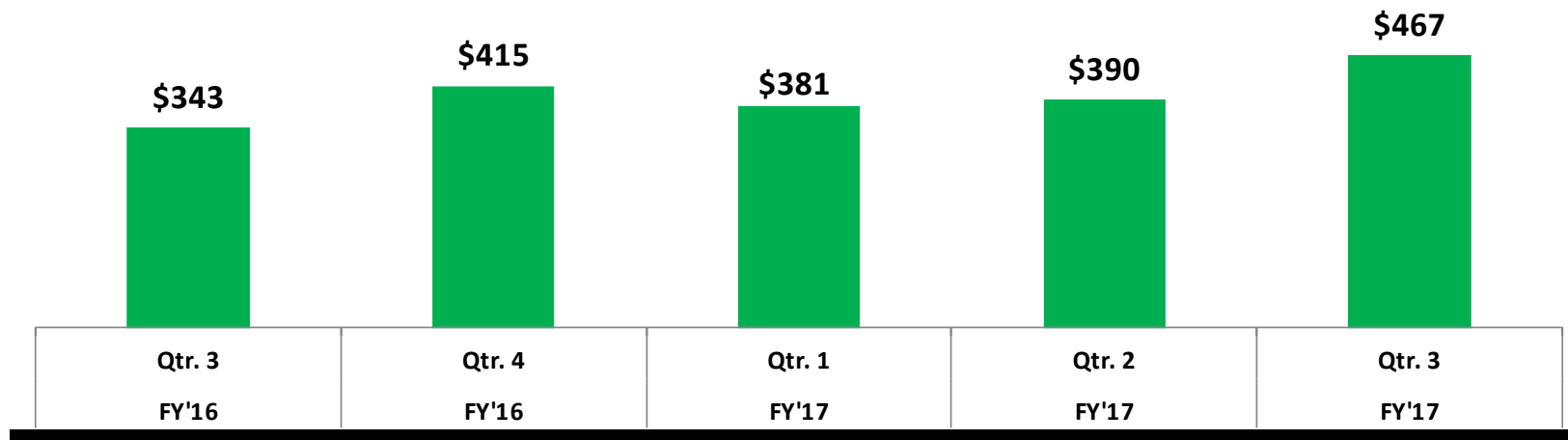
\*\* FY'16 Qtr. 3 & 4 & FY'17 Qtr. 1 Fee Revenue Excludes Hay Group Deferred Revenue Write-Off Related to the Acquisition



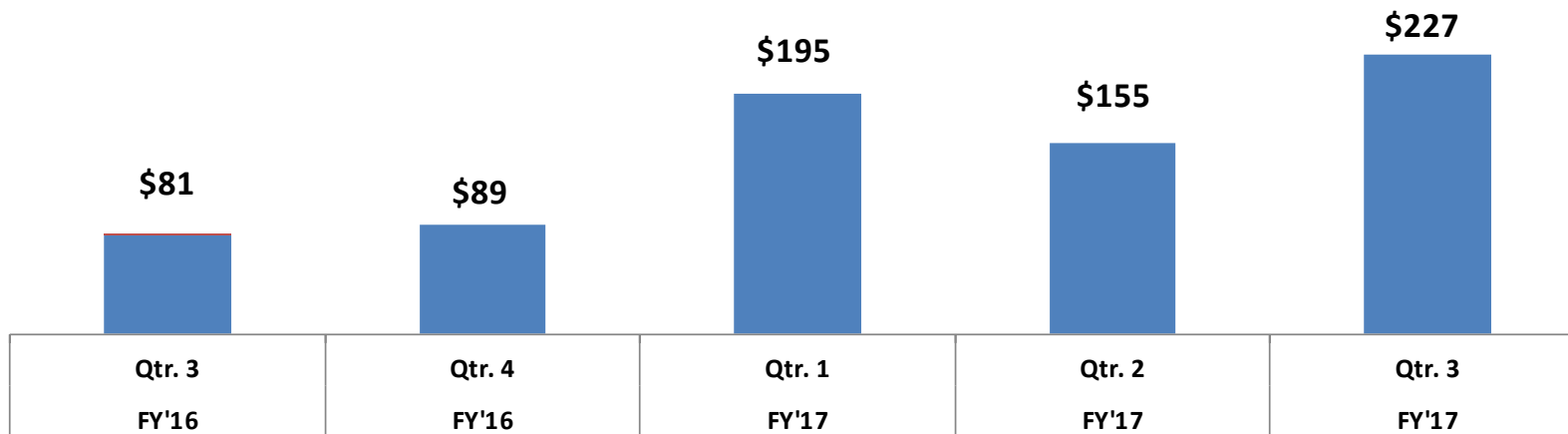
# Korn / Ferry

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

### Cash & Marketable Securities



### \*"Investable" Cash



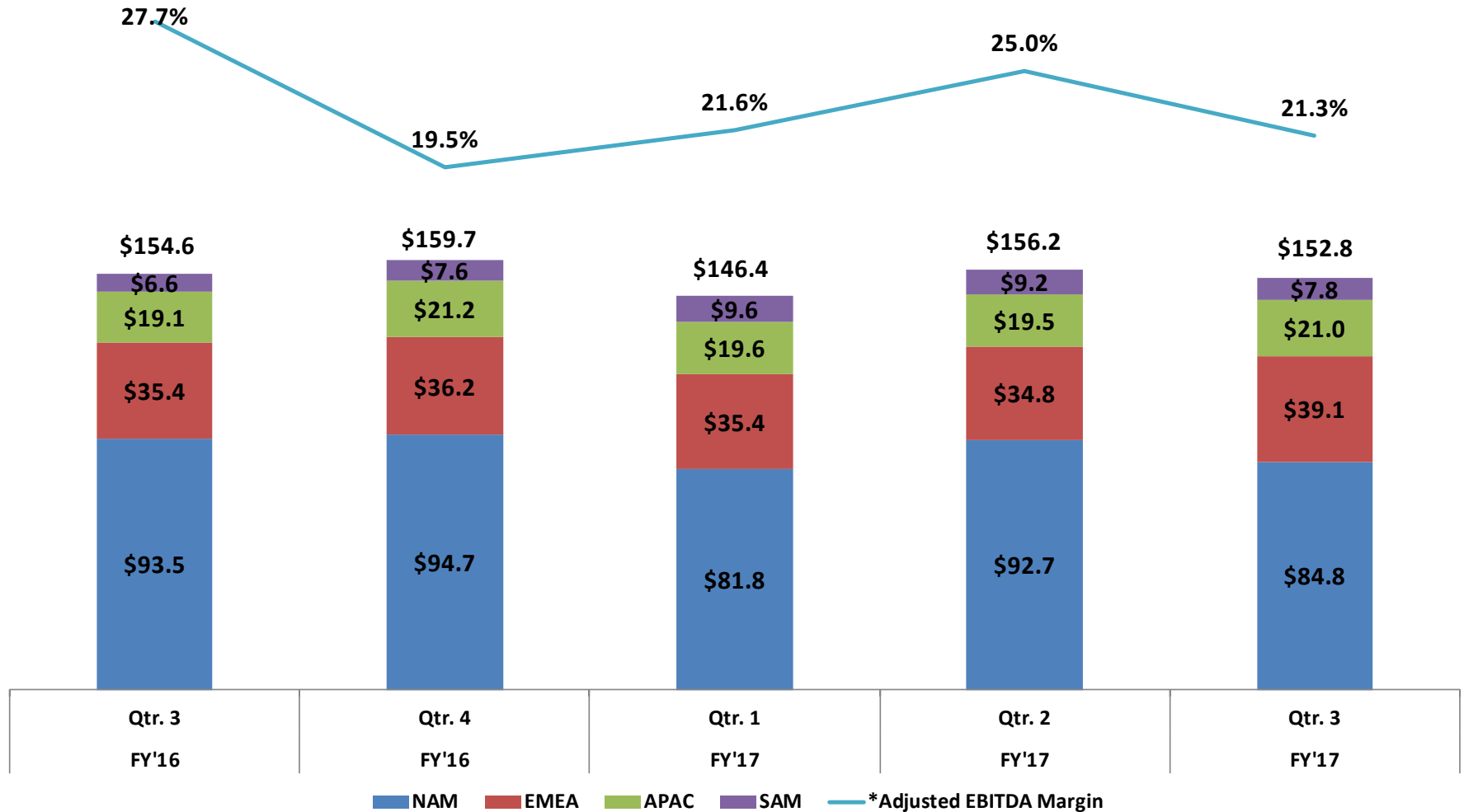
\*Cash & Marketable Securities Net of Cash & Marketable Securities Reserved for Deferred Compensation Arrangements and for Accrued Bonuses





# Executive Search

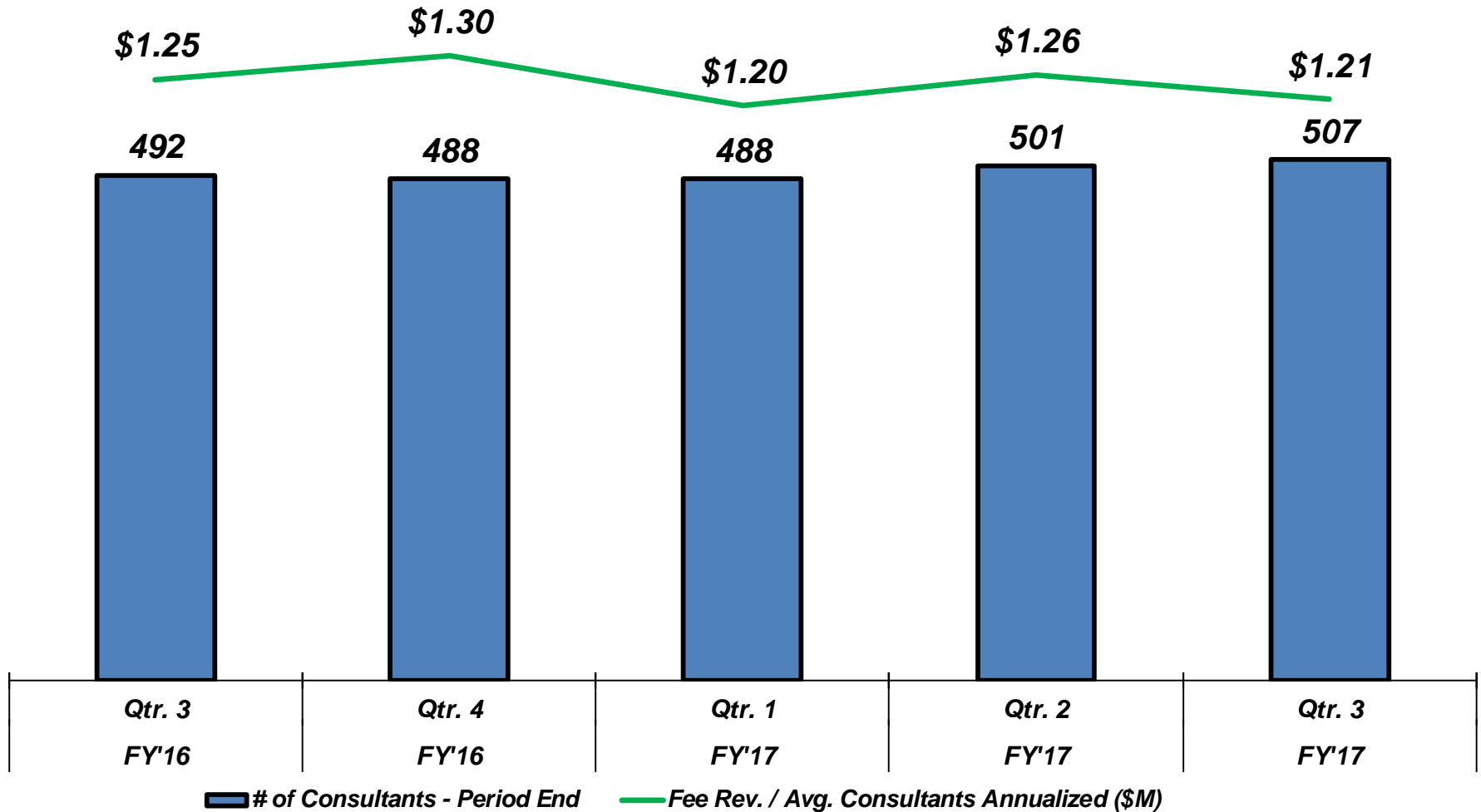
## Quarterly Trends – Fee Revenue (\$M) & \*Adjusted EBITDA Margin (Non-GAAP)



\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Restructuring Charges and Foreign Currency Loss Associated with the Devaluation of the Venezuelan Currency

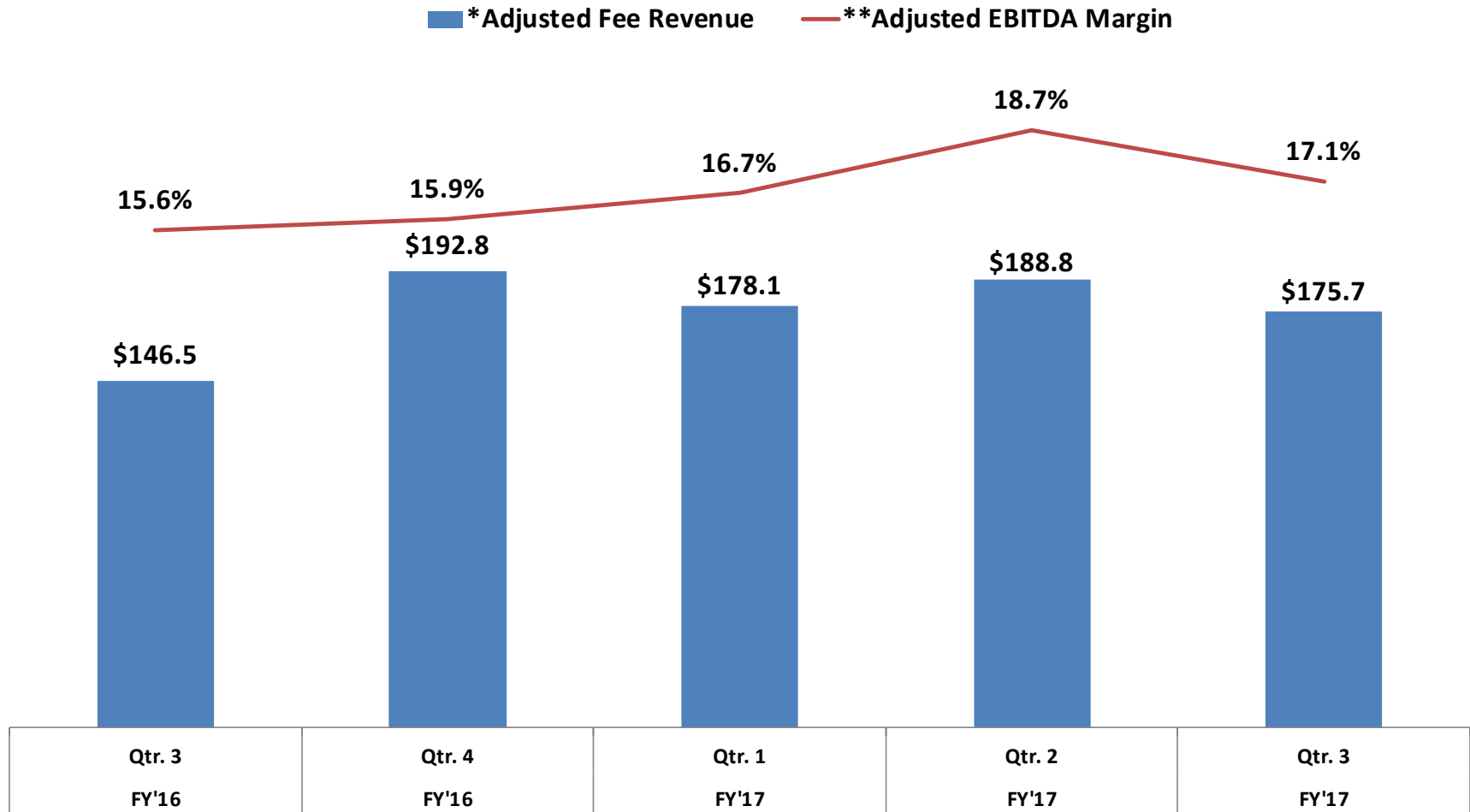


# Executive Search Consultants & Consultant Productivity



# Hay Group

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



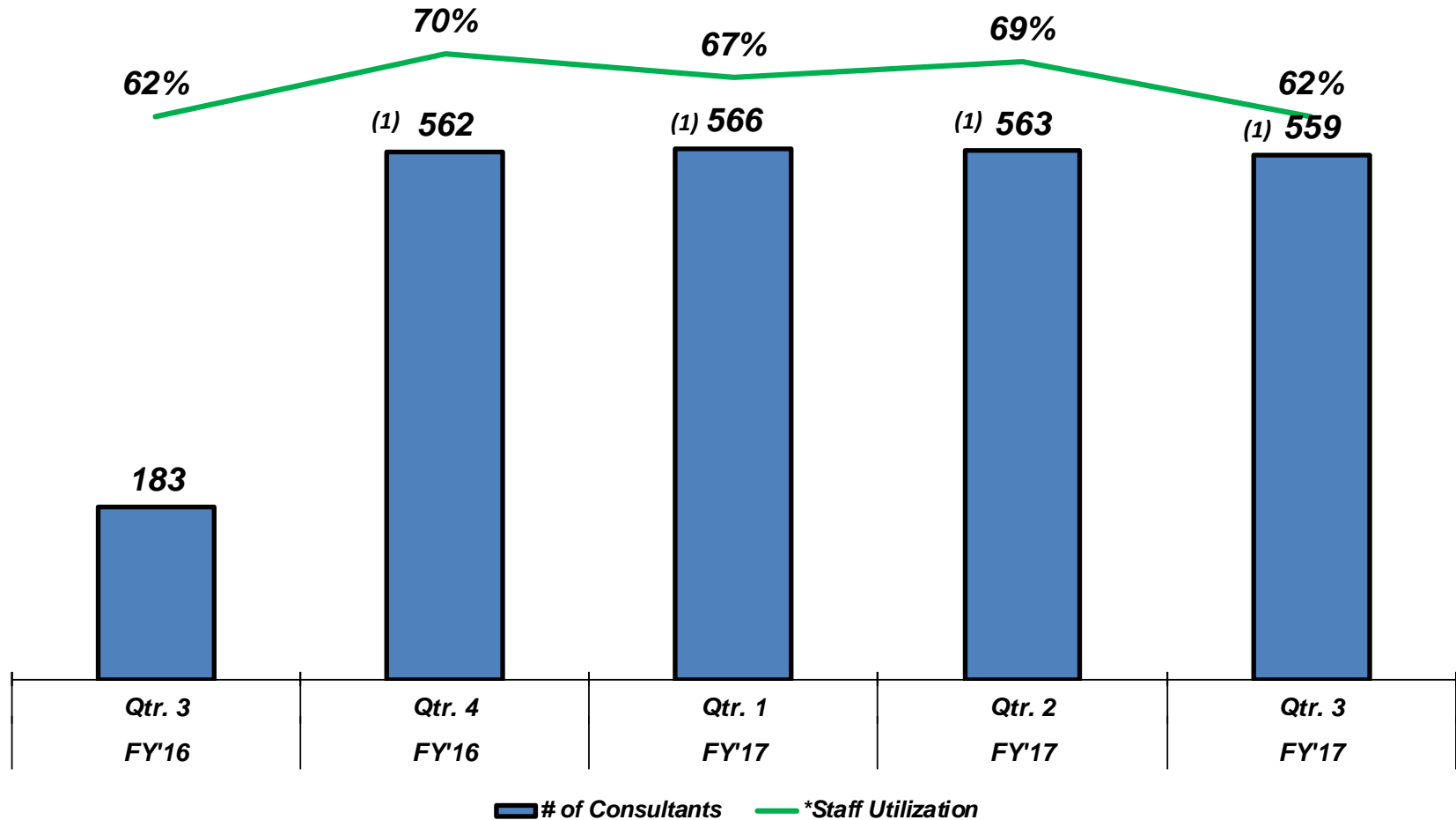
\*Fee Revenue Excluding Hay Group Deferred Revenue Write-Off Related to the Acquisition

\*\*Earnings Before Interest, Taxes, Depreciation and Amortization Adjusted to Exclude Hay Group Deferred Revenue Write-Off Related to the Acquisition, Restructuring, Integration / Acquisition Costs and Foreign Currency Loss Associated with the Devaluation of the Venezuelan Currency



# Hay Group

## # of Consultants & Professional Staff Productivity



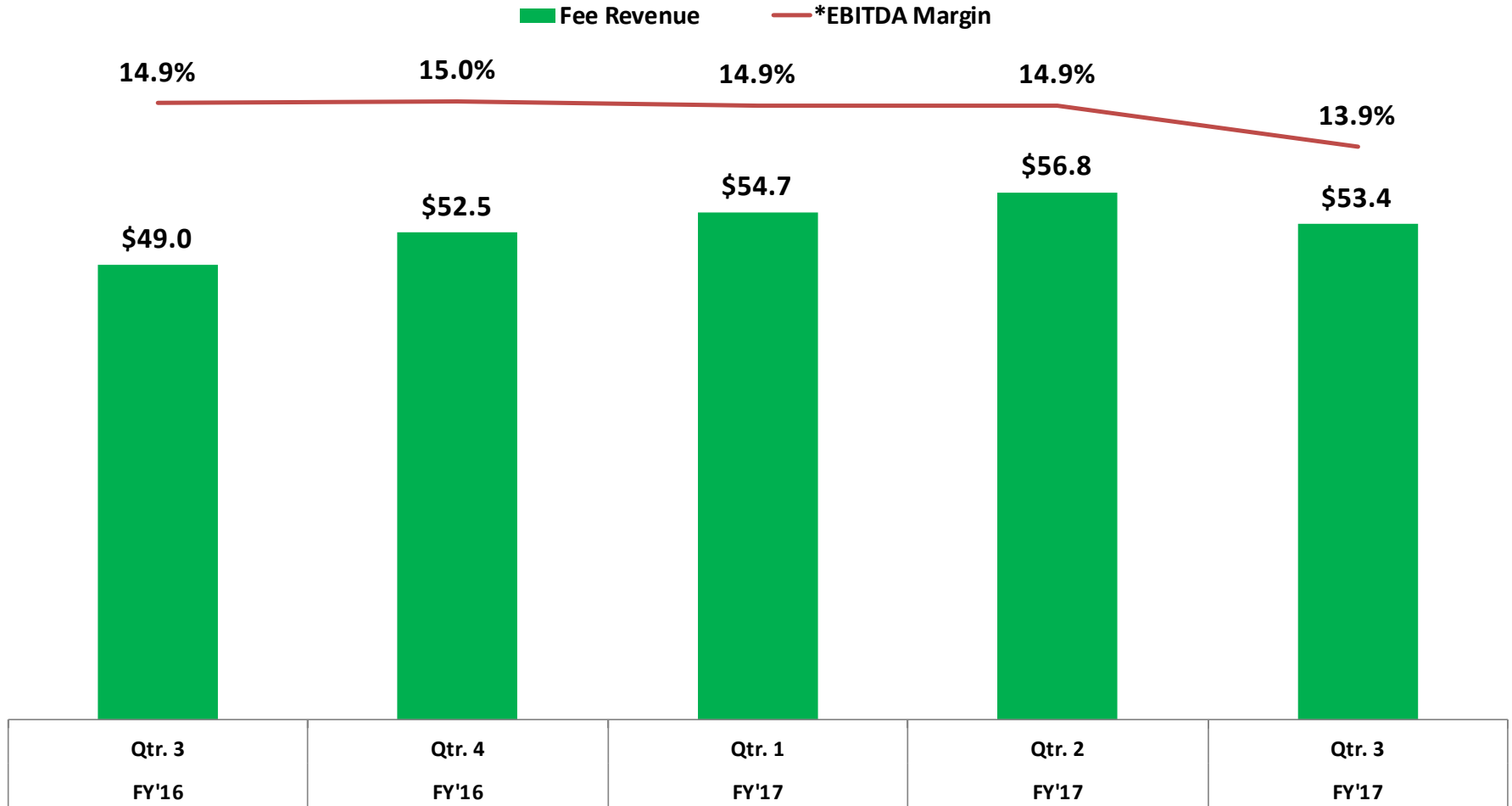
*\*Calculated By Dividing the Number of Hours of Full-Time Professional Staff, Who Recorded Time to an Engagement During the Period, By the Total Available Working Hours for the Professional Staff During the Same Period*

*(1) Represents the Number of Employees Originating Consulting Services. FY'16 Q4, FY'17 Q1 - Q3 Includes Consultants From the Acquisition of Legacy Hay Group*



# Futurestep

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



\*Earnings Before Interest, Taxes, Depreciation and Amortization



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

**Earnings Conference Call  
March 6, 2017**

# Korn / Ferry

## Reconciliation of Operating Income (GAAP) to Adjusted EBITDA (Non-GAAP) (\$M) FY'16 Q3 to FY'17 Q3

	FY'16 Qtr. 3	FY'16 Qtr. 4	FY'17 Qtr. 1	FY'17 Qtr. 2	FY'17 Qtr. 3
Fee Revenue	\$344.2	\$399.9	\$375.6	\$401.9	\$381.9
Def. Revenue Adj. Due to HG Acq.	5.9	5.1	3.5	-	-
Adjusted Fee Revenue	\$350.1	\$405.0	\$379.2	\$401.9	\$381.9
Operating Income	(\$14.1)	\$4.9	\$4.5	\$46.5	\$30.5
Depreciation & Amortization	10.3	11.3	11.4	11.8	11.8
Other Income / (Loss) , Net	(7.1)	5.6	4.3	(0.9)	4.2
Equity in Earnings of Uncold. Subs., Net	0.2	0.1	0.1	-	0.1
Net Income Attrib. to NonControlling Int.	-	(0.5)	-	-	-
<b>EBITDA</b>	<b>(\$10.6)</b>	<b>\$21.4</b>	<b>\$20.3</b>	<b>\$57.5</b>	<b>\$46.6</b>
Def. Revenue Adj. Due to Acq.	5.9	5.1	3.5	-	-
Restructuring Charges - Net	30.6	2.4	24.5	-	3.8
Integration / Acquisition Costs	21.1	11.7	8.0	5.8	4.8
Venezuelan F/X Loss	-	13.7	-	-	-
Separation Costs	0.7	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$47.7</b>	<b>\$54.3</b>	<b>\$56.4</b>	<b>\$63.3</b>	<b>\$55.3</b>
Operating Margin	(4.1%)	1.2%	1.2%	11.6%	8.0%
Depreciation & Amortization	3.0%	2.8%	3.0%	2.9%	3.1%
Other Income / (Loss) , Net	(2.1%)	1.4%	1.1%	(0.2%)	1.1%
Equity in Earnings of Uncold. Subs., Net	0.1%	0.1%	-	-	-
Net Income Attrib. to Non Controlling Int.	-	(0.1%)	-	-	-
<b>EBITDA Margin</b>	<b>(3.1%)</b>	<b>5.4%</b>	<b>5.4%</b>	<b>14.3%</b>	<b>12.2%</b>
Def. Revenue Adj. Due to Acq.	1.6%	1.2%	0.9%	-	-
Restructuring Charges - Net	8.8%	0.6%	6.5%	-	1.0%
Integration / Acquisition Costs	6.1%	2.8%	2.1%	1.4%	1.3%
Venezuelan F/X Loss	-	3.4%	-	-	-
Separation Costs	0.2%	-	-	-	-
<b>Adjusted EBITDA Margin</b>	<b>13.6%</b>	<b>13.4%</b>	<b>14.9%</b>	<b>15.7%</b>	<b>14.5%</b>



# Korn / Ferry

## Reconciliation of Net Income & EPS (GAAP) to Adjusted Net Income & Adjusted EPS (Non-GAAP) (\$M) FY'16 Q3 to FY'17 Q3

	FY'16 Qtr. 3	FY'16 Qtr. 4	FY'17 Qtr. 1	FY'17 Qtr. 2	FY'17 Qtr. 3
Net Income Attributable to Korn / Ferry	(\$16.0)	\$5.9	\$3.2	\$30.2	\$23.9
Def. Revenue Adj. Due to HG Acq.	5.9	5.1	3.5	-	-
Restructuring Charges - Net	30.6	2.4	24.5	-	3.8
Integration / Acquisition Costs	21.1	11.6	8.0	5.8	4.8
Venezuelan F/X Loss	-	13.7	-	-	-
Separation Costs	0.7	-	-	-	-
Write-Off of Debt Issuance Costs	-	-	1.0	-	-
Tax effect of the Above Items	(13.6)	(5.8)	(10.7)	1.9	(2.4)
<b>Adjusted Net Income Attributable to K/F</b>	<b>\$28.8</b>	<b>\$32.9</b>	<b>\$29.5</b>	<b>\$34.1</b>	<b>\$30.1</b>
Diluted Earnings per Common Sh.	(\$0.30)	\$0.10	\$0.06	\$0.52	\$0.42
Def. Revenue Adj. Due to Acq.	0.11	0.09	0.06	-	-
Restructuring Charges - Net	0.56	0.04	0.43	-	0.07
Integration / Acquisition Costs	0.39	0.21	0.14	0.10	0.08
Venezuelan F/X Loss	-	0.24	-	-	-
Separation Costs	0.01	-	-	-	-
Write-Off of Debt Issuance Costs	-	-	0.02	-	-
(1) Tax Effect on the Above Items	(0.25)	(0.10)	(0.19)	(0.03)	(0.04)
<b>Adjusted Diluted Earnings per Sh.</b>	<b>\$0.52</b>	<b>\$0.58</b>	<b>\$0.52</b>	<b>\$0.59</b>	<b>\$0.53</b>

(1) Tax Effect on Deferred Revenue Adjustment Associated with the Acquisition of Hay Group, Restructuring Charges, Net, Integration / Acquisition Costs, Foreign Currency Loss Associated with the Devaluation of the Venezuelan Currency, Separation Costs and Write-off of Debt Issuance Costs





# Korn / Ferry

## Reconciliation of Net Income and Operating Income (GAAP) to EBITDA and Adjusted EBITDA (Non-GAAP) (\$M) FY'16 Q3 to FY'17 Q2

	FY'16 Q3					FY'16 Q4					FY'17 Q1					FY'17 Q2				
	Exec. Recruitment	Hay Group	F/S	Corp.	KFI	Exec. Recruitment	Hay Group	F/S	Corp.	KFI	Exec. Recruitment	Hay Group	F/S	Corp.	KFI	Exec. Recruitment	Hay Group	F/S	Corp.	KFI
Fee Revenue	\$154.6	\$140.6	\$49.0	-	\$344.2	\$159.7	\$187.7	\$52.5	-	\$399.9	\$146.4	\$174.6	\$54.7	-	\$375.6	\$156.2	\$188.8	\$56.8	-	\$401.9
Net Income	-	-	-	-	(16.0)	-	-	-	-	6.3	-	-	-	-	4.1	-	-	-	-	31.1
Oth. (Inc.) / Loss- Net	-	-	-	-	7.1	-	-	-	-	(5.6)	-	-	-	-	(4.3)	-	-	-	-	0.9
Interest Exps. - Net	-	-	-	-	0.4	-	-	-	-	(1.5)	-	-	-	-	3.1	-	-	-	-	2.7
Equity in Earnings of Uncold. Sub.	-	-	-	-	(0.2)	-	-	-	-	(0.1)	-	-	-	-	(0.1)	-	-	-	-	0.0
Income Tax Exps.	-	-	-	-	(5.4)	-	-	-	-	5.8	-	-	-	-	1.7	-	-	-	-	11.9
Oper. Incm. / (Loss)	\$34.6	(\$21.6)	\$6.6	(\$33.7)	(\$14.1)	\$23.0	\$2.9	\$7.0	(\$28.0)	\$4.9	\$26.9	(\$7.7)	\$7.5	(\$22.2)	\$4.5	\$37.4	\$22.9	\$7.8	(\$21.6)	\$46.5
Margin (%)	22.4%	(15.3%)	13.5%	-	(4.1%)	14.4%	1.5%	13.3%	-	1.2%	18.4%	(4.4%)	13.7%	-	1.2%	24.0%	12.1%	13.7%	-	11.6%
Deprec. & Amortiz.	1.4	6.7	0.6	1.6	10.3	1.4	7.8	0.6	1.5	11.3	1.4	8.0	0.6	1.4	11.4	1.7	8.0	0.7	1.4	11.8
Oth. Incm. / (Loss) - Net	(0.3)	0.2	0.1	(7.1)	(7.1)	0.6	(0.2)	0.3	4.9	5.6	0.5	0.2	-	3.6	4.3	(0.1)	-	-	(0.8)	(0.9)
Equity in Earnings of Uncons. Sub.	-	-	-	0.2	0.2	0.1	-	-	-	0.1	0.1	-	-	-	0.1	-	-	-	-	-
Net Incm. Attributable to Noncontrolling Interest	-	-	-	-	-	(0.5)	-	-	-	(0.5)	-	-	-	-	-	-	-	-	-	-
EBITDA	\$35.7	(\$14.7)	\$7.3	(\$38.9)	(\$10.6)	\$24.6	\$10.5	\$7.9	(\$21.6)	\$21.4	\$28.9	\$0.5	\$8.1	(\$17.2)	\$20.3	\$39.0	\$31.0	\$8.5	(\$21.0)	\$57.5
Margin (%)	23.0%	(10.5%)	14.9%	-	(3.1%)	15.4%	5.6%	15.0%	-	5.4%	19.7%	0.3%	14.9%	-	5.4%	25.0%	16.4%	14.9%	-	14.3%
Restructuring Chgs.	7.3	23.2	-	0.1	30.6	-	2.4	-	-	2.4	2.8	21.5	-	0.2	24.5	-	-	-	-	-
Separation Costs	-	-	-	0.7	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Integ. / Acq. Costs	-	8.4	-	12.7	21.1	-	5.6	-	6.1	11.7	-	4.3	-	3.8	8.0	-	4.3	-	1.5	5.8
Venezuelan FX Loss	-	-	-	-	-	6.6	7.1	-	-	13.7	-	-	-	-	-	-	-	-	-	-
Def. Revenue Adj. Due to Acq.	-	5.9	-	-	5.9	-	5.1	-	-	5.1	-	3.5	-	-	3.5	-	-	-	-	-
Adjusted EBITDA	\$43.0	\$22.8	\$7.3	(\$25.4)	\$47.7	\$31.2	\$30.7	\$7.9	(\$15.5)	\$54.3	\$31.7	\$29.8	\$8.1	(\$13.2)	\$56.4	\$39.0	\$35.3	\$8.5	(\$19.5)	\$63.3
Margin (%)	27.7%	15.6%	14.9%	-	13.6%	19.5%	15.9%	15.0%	-	13.4%	21.6%	16.7%	14.9%	-	14.9%	25.0%	18.7%	14.9%	-	15.7%



# Korn / Ferry

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

	FY'17 Q3				
	Exec.				KFI
	Recruitment	Hay Group	F/S	Corp.	
<b>Fee Revenue</b>	\$152.8	\$175.7	\$53.4	-	\$381.9
<b>Net Income</b>	-	-	-	-	24.4
Oth. (Incm.) / Loss- Net	-	-	-	-	(4.2)
Interest Exps. - Net	-	-	-	-	2.4
Equity in Earnings of Uncold. Sub.	-	-	-	-	(0.1)
Income Tax Exps.	-	-	-	-	8.1
<b>Oper. Incm. / (Loss)</b>	\$29.3	\$16.0	\$6.5	(\$21.3)	\$30.5
<i>Margin (%)</i>	19.2%	9.1%	12.3%	-	8.0%
Deprec. & Amortiz.	1.5	8.1	0.8	1.5	11.8
Oth. Incm. / (Loss) - Net	0.5	0.1	-	3.6	4.2
Equity in Earnings of Uncons. Sub.	-	-	-	-	-
Net Incm. Attributable to Noncontrolling Interest	-	-	-	-	-
<b>EBITDA</b>	\$31.4	\$24.2	\$7.3	(\$16.2)	\$46.6
<i>Margin (%)</i>	20.5%	13.8%	13.7%	-	12.2%
Restructuring Chgs.	\$1.2	\$2.5	\$0.1	-	\$3.8
Separation Costs	-	-	-	-	-
Integ. / Acq. Costs	-	3.4	-	1.4	4.8
Venezuelan F/X Loss	-	-	-	-	-
Def. Revenue Adj. Due to Acq.	-	-	-	-	-
<b>Adjusted EBITDA</b>	\$32.6	\$30.1	\$7.4	(\$14.8)	\$55.3
<i>Margin (%)</i>	21.3%	17.1%	13.9%	-	14.5%



# Korn / Ferry

Reconciliation of Compensation & Benefits Expense (GAAP) to Adjusted Compensation & Benefits Expense (Non-GAAP) (\$M)  
 FY'16 Q3 to FY'17 Q3

	<u>FY'16 Qtr. 3</u>	<u>FY'16 Qtr. 4</u>	<u>FY'17 Qtr. 1</u>	<u>FY'17 Qtr. 2</u>	<u>FY'17 Qtr. 3</u>
Fee Revenue	\$344.2	\$399.9	\$375.6	\$401.9	\$381.9
Def. Revenue Adj. Due to Acq.	5.9	5.1	3.5	-	-
Adjusted Fee Revenue	<u>\$350.1</u>	<u>\$405.0</u>	<u>\$379.2</u>	<u>\$401.9</u>	<u>\$381.9</u>

	<u>FY'16 Qtr. 3</u>	<u>FY'16 Qtr. 4</u>	<u>FY'17 Qtr. 1</u>	<u>FY'17 Qtr. 2</u>	<u>FY'17 Qtr. 3</u>
Compensations & Benefits	\$242.4	\$286.9	\$263.0	\$270.6	\$262.4
Integration / Acquisition Costs	(12.0)	(5.8)	(5.6)	(5.2)	(4.2)
Separation Costs	(0.7)	-	-	-	-
Adjusted Comp. & Benfts. Exps.	<u>\$229.8</u>	<u>\$281.1</u>	<u>\$257.4</u>	<u>\$265.4</u>	<u>\$258.2</u>
Comp. & Benfts. (as % of Fee Rev.)	70.4%	71.7%	70.0%	67.3%	68.7%
Integration / Acquisition Costs	(4.6%)	(2.3%)	(2.1%)	(1.3%)	(1.1%)
Separation Costs	(0.2%)	-	-	-	-
Adjusted Comp. & Benfts. Exps. (as a % of Adj. Fee Rev.)	<u>65.6%</u>	<u>69.4%</u>	<u>67.9%</u>	<u>66.0%</u>	<u>67.6%</u>



# Korn / Ferry

## Reconciliation of Cash & Marketable Securities Balance to “Investable Cash” Balance (\$M) FY'16 Q3 to FY'17 Q3

	<u>FY'16 Qtr. 3</u>	<u>FY'16 Qtr. 4</u>	<u>FY'17 Qtr. 1</u>	<u>FY'17 Qtr. 2</u>	<u>FY'17 Qtr. 3</u>
Cash	\$207.3	\$273.3	\$244.1	\$250.0	\$351.3
Marketable Securities	136.0	141.4	137.0	140.0	115.4
Cash & Marketable Securities	<u>\$343.3</u>	<u>\$414.7</u>	<u>\$381.1</u>	<u>\$390.0</u>	<u>\$466.7</u>
ECAP & Bonus Liability	(262.4)	(325.8)	(186.1)	(234.6)	(240.2)
Investable Cash	<u>\$80.9</u>	<u>\$88.9</u>	<u>\$195.0</u>	<u>\$155.4</u>	<u>\$226.5</u>





KORN FERRY®

Executive Search | HayGroup | Futurestep