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KORN FERRY

Korn Ferry Analysis Reveals Solid Increase in CEO Compensation at the Nation's Largest Companies

- Median Total Direct Comp for CEOs at Largest US Companies Rises 5.8 Percent Year-Over-Year to $13.9 Million -

LOS ANGELES--(BUSINESS WIRE)-- Data unveiled today by Korn Ferry (NYSE: KFY) shows strong compensation growth for CEOs at the nation's largest companies and also reveals that solid company performance directly correlates to the value of CEO compensation packages.

The 12th annual CEO Korn Ferry Compensation Study examines pay for CEOs at the nation's 300 largest public companies and includes companies that filed their proxy statements between May 1, 2018 and April 30, 2019.

Median total direct compensation (TDC) for CEOs increased 5.8 percent to $13.9 million.

"Despite a year-end blip in the stock market, 2018 was very good for Corporate America," said Don Lowman, Korn Ferry practice leader, Executive Pay and Governance, North America. "Median revenues for the sample 300 were $20 billion, which is a year-over-year increase of 7.5 percent. Median net income was $1.8 billion, reflecting an increase of 14.1 percent from 2017. Overall, companies did well in 2018 and compensation committees rewarded CEOs accordingly."

The mix of the CEO compensation (e.g. salary, bonus, long-term incentives) remained relatively consistent from last year. In addition, when considering the mix of long-term incentives (LTIs), performance awards (equity and cash) make up the largest percentage at 55 percent. Stock options make up 21 percent and restricted stock account for 24 percent.

Performance Pays

While year-over-year base salaries remained relatively flat, with a 1.9 percent increase to a median of $1.3 million, a large percentage of the TDC increase came from performance-based compensation growth:

- Annual bonuses were up by a median of 3.9 percent to $2.6 million
- Long-term incentive value (LTIs) were up by a median of 6.8 percent to $10 million

When looking at long-term performance, Korn Ferry researchers found strong alignment between 3-year total shareholder return (TSR) performance and realized LTIs* in 2018. CEOs who ran companies within the top third of TSR performance received triple the realized LTI value in 2018 over CEOs at companies in the bottom third.

2018 realized CEO long-term incentive income vs. 2016-2018 total shareholder return

TSR Ranking	3-Year TSR	Realized CEO LTI
Top Third	21.3%	$15 million
Middle Third	8.6%	$9.6 million
Bottom Third	-5.0%	$5.4 million

"Simply put, CEOs who delivered better TSR are being paid accordingly, while CEOs whose companies aren't performing don't realize the same level of compensation," said Irv Becker, Korn Ferry vice chairman, Executive Pay & Governance. "This shows compensation committees are designing pay-for-performance packages that work. Now the focus is on goal setting and results."

Editor's Note: *all dollar figures and percentages are medians and are calculated independently. Medians should not be added to create another data point.*

* *Realized pay from stock option exercises and the vesting of restricted stock and performance equity, all granted a number of years ago.*

About the Study

The 12th annual study, which is conducted by Korn Ferry (NYSE: KFY), examined all forms of pay for CEOs at the 300 largest public companies in the United states. The study included companies that filed their proxy statements between May 1, 2018 and April 30, 2019.

About Korn Ferry

Korn Ferry 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.

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