# Korn Ferry Q1 FY '26 Earnings Call September 9, 2025

#### **Presenters**

Gary Burnison - President, CEO & Executive Director Bob Rozek - Executive VP, CFO & Chief Corporate Officer

# **Q&A Participants**

Trevor Romeo - William Blair Tobey Sommer - Truist Sammy [sp] - Goldman Sachs Josh Chan - UBS Investment Bank Mark Marcon - Robert W. Baird & Co

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Korn First Quarter Fiscal Year 2026 Conference Call. At this time, all participants are in a listen only mode. Following the prepared remarks, we will conduct a question and answer session.

As a reminder, this conference call is being recorded for replay purposes. We have also made available in the Investor Relations section of our website at kornferry.com a copy of the financial presentation that we will be reviewing with you today.

Before I turn the call over to your host, Mr. Gary Burnison, let me first read a cautionary statement to investors. Certain statements made in call today, such as those relating to future performance, plans and goals, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although the company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, investors are cautioned not to place undue reliance on such statements. Actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties, which are beyond the company's control.

Additional information concerning such risks and uncertainties can be found in the release relating to this presentation and in the periodic and other reports filed by the company with the SEC, including the company's annual report for fiscal year 2025 and in the company's soon-to-be-filed quarterly report for the quarter ended July 31, 2025.

Also, some of the comments today may reference non-GAAP financial measures such as constant currency amounts, EBITDA and adjusted EBITDA. Additional information concerning these measures, including reconciliations to the most direct comparable GAAP financial measures is contained in the financial presentation and earnings release relating to this call,

both of which are posted in the Investor Relations section of the company's website at www.kornferry.com.

With that, I'll turn the call over to Mr. Burnison. Please go ahead, Mr. Burnison.

### **Gary Burnison**

Okay. Thank you, Regina, and thanks to everybody for joining us. I'm really, really pleased with our performance in the quarter. The team's going to get into the results in a little bit, but when I look at the results, even over the past few quarters, with all the choppiness, the uncertainty around tariffs, the labor and economic environment, it's clear that our strategy is working. In fact, when you consider our diversification strategy and the current and future demographic trends alone, the opportunity is immense. And I think that's evidenced this quarter by the growth in all of our solutions. And today, we're driving performance with a far more sophisticated, holistic approach that delivers our expertise and robust IP through integrated solutions in every region of the world.

In the quarter, we won a number of notable engagements. I'll highlight a couple - a top pharma company with over 20,000 employees where we're building a globally aligned leadership team, helping them foster a culture of innovation and streamline talent development across the regions. It's part of a multiyear engagement, or a FTSE 100 retailer, we're now the exclusive assessment provider across all levels of the organization using our consulting-led assessments and our digital at-scale solutions with the ambition to deliver our capabilities from the shop floor to the boardroom, and finally, a top provider of HR management software, where we're going to deliver a subscription-based digital solution, a global leadership offering that includes content, instructor-led materials, micro learning and more, and that complements a consulting engagement that includes leadership assessments and coaching. And these are just three examples of how we're integrating multiple solutions to create enduring client partnerships.

We also continue to make measured capital investments that extend our offerings and solutions and expand our impact with clients. And a case in point is Talent Suite, which offers seamless integration of proprietary IP and data and talent applications into one digital SaaS platform, which enables our clients to make better hiring decisions, structure their organizations, assess, develop and reward their talent. In other words, Talent Suite enables clients to unlock human and organizational potential at scale. Our evolution towards large-scale, multi-solution client engagements is real as we change the fundamental composition and scale of our business. And when I just look at the tail of the tape, today, we have loyal, repeatable clients of scale, Marquee & Diamond accounts generating almost 40% of our revenue, a 10-year revenue CAGR of 10%, driven by an expanding set of diversified solutions. We have strong top line synergies with 25% of revenue generated from cross-solution referrals.

Clearly, this diversification is driving resilience and durability in our business and contributing to sustained shareholder value, and that's evidenced through our balanced capital allocation

strategy, which includes six dividend increases in the last five years and a demonstrated track record of M&A and share repurchases.

I'm optimistic, truly optimistic about the trajectory of this firm, and more importantly, the impact we're making. We have a strong foundation with incredible brand permission that is fostering deep client relationships. We have relevant, diverse, scaled and increasingly more integrated solutions that are even more closely aligned with the talent needs of our clients. And through our disciplined approach, I'm confident we are poised and well positioned for the future.

With that, Regina, I'll now turn it over to Bob. Bob, it's all yours.

#### **Bob Rozek**

Great. Thanks, Gary, and good morning, good afternoon, depending on where you're at. The global business environment over the last quarter remained extremely uncertain with many lingering economic challenges, keeping investment spending cautious. Unresolved tariff issues added to ongoing geopolitical tensions. Readings on inflation caused uncertainties as to whether interest rates would remain higher for longer.

And despite the impact of these uncertainties on business sentiment, our clients continue to see the impact and value of our services and solutions. Our financial results for the first quarter of fiscal '26 remained strong, providing further proof that our integrated business strategy, which is really diversified across industries, geographies and solutions, is working. In fact, the current economic environment has created opportunity for Korn Ferry to really strengthen our client relationships and continue becoming a trusted global partner of choice, helping our clients solve complex talent in organizational performance challenges. And today, we're helping our clients resolve these challenges with both our skilled workforce and our proprietary data and IP, which is really a product of decades of behavioral science research.

Additionally, we focus our efforts to sell larger, more integrated solutions via our We Are Korn Ferry go-to-market strategy. We're paving the way for stronger, more durable long-term growth.

I'm also pleased to share that we remain on track for the market launch of our new Talent Suite platform that Gary referenced this November. Talent Suite will enable our consultants and clients to more easily derive and prioritize insights across our multiple Talent products using client data, our own proprietary data and select third-party data to help them make better and more insightful talent decisions.

Now, in addition to the detailed results found in our posted earnings presentation, I just want to go over a couple of company-wide solution-specific highlights for the first quarter. As Gary mentioned, the Marquee & Diamond accounts remained strong at almost 40% of our

consolidated fee revenue. And that program delivered a little better than 7% fee revenue growth when you look at it year-over-year.

Our cross-solution referrals also remained strong at 25% of our consolidated fee revenue. Executive Search fee revenue also remained strong, growing 8% in the quarter, and that's our fifth consecutive quarter of year-over-year growth in that solution area. Professional search and interim fee revenue was up 10% year-over-year with growth in both professional services perm placement plus 5% and interim was up 14%. Our digital subscription and licensed new business grew 10% year-over-year in the first quarter and with 39% of total digital new business, and that's going to continue to add stability and predictability to our overall revenue base.

And last, our average bill rates in Consulting and Interim both grew year-over-year, Consulting by 9% and Interim by 4%.

Now turning to company overall results, our consolidated fee revenue grew 5% year-over-year to \$709 million, which is a second consecutive quarter of positive growth. Earnings and profitability also continued to grow. Adjusted EBITDA grew \$9 million or 8% year-over-year to \$120 million. Adjusted EBITDA margin grew 50 basis points year-over-year to 17%, and our adjusted diluted earnings per share grew \$0.13, or 11% year-over-year, to \$1.31.

Total company new business, excluding RPO, grew 5% year-over-year led by strength in EMEA and APAC. Our RPO delivered \$99 million of new business in the quarter; 46% of that came from new logos, 54% from renewals, and the renewals included one large financial institution at \$32 million. Estimated remaining fees under existing contracts also remained strong in the first quarter. Now as a reminder, this operating metric that we introduced last quarter is the quarter ending estimated fees under existing contracts to be recognized in future periods.

At the end of the first quarter, this amounted to \$1.67 billion, which was up 9% year-over-year. Of this amount, we expect approximately 58% or \$972 million will be recognized as fees within the next year and 42% or \$702 million to be recognized thereafter.

Now turning to our regional results, fee revenue in the Americas was down 2% year-over-year, with growth in Executive Search and RPO being offset by slightly lower demand in consulting, digital and professional search and interim. EMEA fee revenue was strong, growing 19% year-over-year, and we saw growth in all solutions. APAC fee revenue was also strong, growing 12% year-over-year, also with growth in all solutions.

And finally, our capital allocation in the first quarter remained balanced as we returned \$36 million to shareholders through combined share repurchases and dividends, and we invested \$22 million in capital expenditures focused on Talent Suite, our new technology platform, as well as productivity tools and other product enhancements.

Now turning to our outlook for the second quarter of fiscal '26, assuming no further changes in worldwide geopolitical conditions, economic conditions, financial markets and foreign exchange rates, we expect fee revenue in the second quarter of fiscal '26 to range from \$690 million to \$710 million, our adjusted EBITDA margin to range from approximately 17% to 17.5% and our consolidated adjusted diluted earnings per share to range from \$1.23 to \$1.33. Finally, we expect our GAAP diluted earnings per share in the second quarter to range from \$1.10 to \$1.16.

Now I'd like to note that our GAAP diluted earnings per share includes approximately \$10 million or \$0.14 per share of accelerated depreciation, and that's related to our current product technology platform, which will be sunsetted as the Talent Suite is commercially launched at the beginning of the third quarter in November.

We remain committed to controlling what we can control, leaning into identified growth opportunities and driving operational excellence. We will continue to promote a culture of innovation and remain focused on delivering outstanding client service.

Korn Ferry is a global consulting firm that powers client performance. We're focused on improving our go-to-market efforts, engaging with our clients as one firm, We Are Korn Ferry. We are well positioned for the next step in our growth, and I'm more confident and excited than I've ever been about what this company can become.

With that, we would be glad to answer any questions you may have.

#### Operator

We will now begin the question and answer session. In order to ask a question, press star, then the number one on your telephone keypad. To withdraw your question, press star, one a second time.

Our first question will come from the line of Trevor Romeo with William Blair. Please go ahead.

#### **Trevor Romeo**

Hi, thanks so much for taking the questions. Just maybe had a couple on your digital business to start, the Talent Suite rollout coming up in November - as you're getting ready for that commercial launch, I guess what are some of the key milestones you'll be tracking there, and how should we be thinking about maybe the timeline for the benefits there to start flowing through the financials?

# **Gary Burnison**

Well, I think the benefits will take some time. I think it'll be towards the end of calendar '26 realistically when we start to see the true benefits of it. Some of the milestones that we are working on include the partnerships that we have and further accelerating the go-to-market strategy around those partnerships. That's very important, particularly with the three or four large HCM players; that's certainly one thing we're working on.

The second is enabling our colleagues and training our colleagues. We have a robust schedule in front of us to train all of our 1,800 frontline consultants on awareness and provocation and selling of the Talent Suite. That's going to be happening over the next six months starting in October. And we also have a targeted strategy with milestones there around our Marquee and Diamond accounts. So it's really kind of a balanced approach here, a multipronged approach, outside with partners, with our Marquee & Diamond accounts top down, bottom up with many of our clients; then there's an internal mobility strategy, as well.

#### **Trevor Romeo**

Thanks, Gary. Maybe just one quick follow-up on digital - the subscription and license piece of the segment going above I think 40% of segment revenue now. Could you maybe just remind us what is your kind of long-term aspirational target for how big those subscriptions could grow as a percentage of that segment?

# **Gary Burnison**

Well, we'd like to see it be north of say 60%, but that's certainly not in the next several months. But I just think there's this opportunity to impact a lot of people's lives and the destination of organizations through our IP, and we just have to figure out the best way to drive scale. And I think the best way to drive scale in that business is through our partnerships that we have. And we -- that's something that we're going to pursue very aggressively.

#### **Bob Rozek**

Hey, Trevor, this is Bob. One thing I would add to that, as you think about Talent Suite, obviously, selling subscriptions and licenses is important for us. But it is -- also think about it as an enabler of the delivery of our other services solutions. So whether it's Talent acquisition, it's consulting, other areas in the organization are going to really benefit from having all of the assets, IP, data content, what we call foundational assets at the center of the organization, right? And they're going to be able to much easier -- gain much easier access and utilization of those. And then we have a reporting analytics layer, and then when you layer on AI and Gen AI in terms of being able to access, slice and dice data much faster, easier, quicker, you have to think about it more broadly than just selling subscriptions and licenses.

# **Trevor Romeo**

Great. Thank you. And then maybe one more, if you don't mind, maybe for you, Bob, just on the guidance. I think, typically, Q2 is a little bit of a stronger seasonal revenue quarter for you, so I guess the guidance may be a slight dip at the midpoint sequentially for revenue. Can we just maybe reconcile that? Should we read that as a little bit of conservatism or any reasons across the businesses that would make you think you wouldn't see a little bit of an uptick?

#### **Bob Rozek**

I would say, Trevor, just given the uncertainties in the backdrop out there, we're probably a little bit on little bit on the conservative side.

#### **Trevor Romeo**

Okay, understood. Well, thanks very much. I really appreciate it.

### Operator

Our next question will come from the line of Tobey Sommer with Truist. Please go ahead.

# **Tobey Sommer**

Thank you. I wanted to ask what you're hearing from clients. You mentioned in your -- that uncertainty out in the economy prompted some conservatism in guidance. We see the BLS revision lower here this morning for job creation over the last year, maybe rates starting to come down here at the Fed some time soon. What are customers telling you?

# **Gary Burnison**

Well, it depends where you are in the world. Look, everybody has got to play on the pitch. Everybody is dealing with the same economic and labor environment. I've spent the last several months with clients and colleagues in Europe in many different countries, and I think, broadly speaking, there's a great deal of optimism. And in the Americas, I think people are dealing with the lack of pricing power and the fact that costs have escalated 50% over the last five and a half to six years.

And look, I'm not surprised at all by the downward revision in those BLS numbers. I mean, that's not shocking. There's been a labor recession for two years. And so companies are -- they're not doing massive downsizing, but they're letting natural attrition take its course, and they're not replacing those hires. And then the other big theme, not only in Europe, but in America and Asia is what does AI do long term in terms of how does an organization get work done and with how many people. We've seen a really good rebound in Asia, and we see it in the numbers; both Europe and Asia really performed well. That was fairly broad-based in both regions.

Life Sciences clients are -- that's a tougher deal as well as healthcare. We've seen a lot of great activity in industrial, which is 30% of the company. Private equity has been a source of significant strength because they have thousands of companies that are past their sell-by date. And because of that, they're actually having to go in and think about how you really operate the company beyond just cutting costs and increasing EBITDA. So those would be the major themes that I've heard from clients directly.

# **Tobey Sommer**

Just sort of a specific question on Consulting, if I could - with respect to your merger and divestiture kind of services in playbook, what are you seeing there, because we've seen sort of an uptick in these announced deals, and many of them seem to be sort of corporate breakups, and wondering if you're participating in that from a consulting perspective?

# **Gary Burnison**

There's actually -- yeah, there are a couple that we are participating. I can't talk about it, but there are a couple. But I think the bigger activity has actually been on the private equity side, and I think that's a direct result of firms hanging on to portfolio companies longer and the work that has to be done beyond three, four, five years.

# **Tobey Sommer**

Appreciate that. Last question for me is, if we do see an appreciable uptick in demand across the businesses and you get a little bit faster revenue growth for the firm, do you have some excess capacity now sort of in the businesses to be able to meet that, or might you need to step on the gas with hiring and have sort of flat to down-ish margins for a quarter or two while you ramp things up?

# **Gary Burnison**

No, we're continually managing that talent. And I do think that there is capacity. And I think the big question, what do you have to believe for this economic environment that we've seen now for a couple of years to actually turn. There's got to be some significant rate cuts. The Fed has been slow. It was never transitory several years ago. Anybody with any common sense could have said that. And that's what you have to see to get this thing going.

#### **Bob Rozek**

Tobey, it's Bob. The other thing I would add to that, too, is we've set ourselves more formally organized around AI, Gen AI, and we're driving that into the organization. So from a capacity perspective, I would expect that to help us get through any groundswell that comes out of a more rapid rebound.

# **Tobey Sommer**

Thank you very much.

# Operator

Our next question comes from the line of George Tong with Goldman Sachs. Please go ahead.

#### Sammy

This is Sammy [sp] on for George. Could you talk about how consulting new business performed in the quarter? What is your outlook for Consulting for the remainder of the year? Any -- and the key drivers behind your expectations?

# **Gary Burnison**

Well, I think it's going to depend regionally, too. I'm not looking -- I just don't think the economic environment particularly is going to change dramatically unless we see the Fed take action. And I think it's been a very, very difficult consulting market for eight quarters now. And when you look at the overall firm results quarter-on-quarter-on-quarter in what I would characterize as a labor recession, it is incredibly, incredibly impressive.

And so I would assume that, in Europe and Asia, we're going to see continued momentum with our consulting solutions. And in the Americas, I think it's going to be a bit more challenging, given the backdrop of what we're dealing with.

And then the other move that we're making now, and this is not new, but many, many years ago, we said, look, we've got to get into bigger, larger scale, and as Bob said, more integrated solutions, delivering impact to our clients. And so we purposely made an effort towards bigger, more transformational assignments, and it shows in the numbers. This isn't just rhetoric. When you look at the average -- look at rate per hour as an example, that has gone from -- it's gone up 50% from \$300 an hour just a few years ago to now almost \$500 an hour, \$470 an hour. When you look at the backlog, the backlog is actually increasing in Consulting; 42% of that backlog is engagements over \$1 million. And when you look at the new wins, those are also a good part of them, not the majority, but a good part are over \$1 million.

So what's happening is we're moving the entire organization towards more integrated solutions. The numbers reflect that. And with that then becomes a slower consumption by clients of the backlog. And so when we look at new business, it was your specific question in Consulting, in the quarter, it was decent. I mean, it was definitely on the plus side. But I tend to look at the firm as a whole and what we're doing there. And I just think you look quarter-on-quarter in an environment that's been very difficult, and looking at the company's profitability, it's impressive.

#### Sammy

Got it. And on Digital, the number of consultants was down significantly this quarter. Could you talk about what drove the decision to reduce Digital headcount, especially given you have the launch of Talent Suite coming up? And is the headcount now fully aligned with the current demand, or could we see further rightsizing?

# **Gary Burnison**

Well, we are always managing the workforce. And so we've done it over the last two to three years. If you look at Professional Search and Interim, for example, you'll find there that we've made significant changes in that workforce and repositioned that workforce, and we've done the same thing in Digital. So for us, it's -- again, it's around the firm. And it's not around these segments. It's around enabling the entire firm to be able to deliver the platform. And that platform is at its very, very foundation, how do you unlock human and organizational performance, how do you design an organization, how do you assess what type of leaders do you need, how do you develop them, and how do you pay them? That's what it's about.

So it's not strictly around the 236 digital sellers that we have. It's around the entire firm and the 1,800 frontline consultants that we have and their ability to deliver the entire firm.

#### Sammy

That's helpful. Thank you for taking my questions.

### Operator

Our next question comes from the line of Josh Chan with UBS. Please go ahead.

#### Josh Chan

Hi, Gary and Bob. Thanks for taking my questions. If I look at the -- hi. If I look at the geography, the North American part of the business, most parts of the business is down somewhat, which jives with the macro, but Exec Search is still up in North America. So what's going on in Exec Search that's allowing that part of your business to really seemingly outperform the environment?

### **Gary Burnison**

Yeah, it's a combination of factors. It's the phenomenon where -- I've talked about this for a good six quarters, seven quarters; it's peak 65. So there's the demographic shifts and trends that I referred to in my opening comments. So you've got that playing out. You've got the fact that many of the executives in the C-suite were probably in the C-suite during COVID. And so you had a period of going from light to darkness to light and all the things in between around that time, then the subsequent pent-up demand and the Great Resignation. And so you've got people that are making the decision for themselves around work-life balance.

And then you have boards looking at the C-suite and saying is the leadership team that I need over the next five years, what are their skills that will be needed and -- versus the past five years. So it's really those combination of factors that I believe are driving the Executive Search business.

#### Josh Chan

Great. Well, thanks for the color there, Gary. And I think you guys also mentioned that, in a choppy environment, that could provide some opportunity for you to strengthen your position. I'm sure you'd love a stronger environment, but curious how you can still win business in a weaker environment and what kind of opportunities those might be?

#### **Gary Burnison**

Yeah, this is the best environment. I mean, it's where I'm most motivated. This is where good companies become great companies. It's only in these type of environments because people don't change unless there's a reason to change. And I think the environment gives us that reason to change. So I look at it, and I -- it's not a question of just dealing with ambiguity, but it's embracing ambiguity. And I love the environment, and it does present opportunities for us, and it presents an opportunity even internally around how we think about ourselves, and do we think about ourselves as business segments or do you think about yourself as Korn Ferry?

And the truth is that we don't have five businesses. We have one business, which is Korn Ferry. We have five solutions, but we have one business. And so the ability to change mindset in an environment like this, you have to take advantage of it. And that's what we're doing, and that's

what we plan to do over the next several months is to continue to change mindset, particularly around how we go to market.

#### **Bob Rozek**

[Inaudible]

#### Josh Chan

Hey, Bob.

#### **Bob Rozek**

One of the things that I've talked about quite a bit with investors is, when the world is somewhat chaotic, it's actually, as Gary mentioned, a good thing for us. Think about COVID hit, everybody went home. Work got done differently, different work had to get done, and organizations turned to us to help figure that out. Right now, there's a lot of uncertainty out there. AI, Gen AI is out there. How do I change -- how does that impact my workforce? Does it change my job profiles? Do people have the right skills? Do I need different people? So when there's chaos out in the world and organizations are trying to figure their way through it, they turn to us to help them do that. And so as Gary indicated, it's actually a good thing for us.

#### Josh Chan

That's an interesting perspective. Yeah, thank you both for your color and the time.

#### Operator

Our next question will come from the line of Mark Marcon with Baird. Please go ahead.

#### Mark Marcon

Good afternoon. Thanks for taking my questions. Gary, in your discussion, you talked a lot about some of the bigger deals that you've been signing, and you specifically noted one with a big HCM company. I'm wondering if you can elaborate in terms of what you're going to do for them.

#### **Gary Burnison**

I'm not going to get into -- it's really a transformational program centered around leadership development. And so it's a big learning engagement where that particular client is not only licensing our IP around developing and transforming a workforce, but it also includes consulting with assessments and coaching. So it's really around kind of transforming a workforce and transforming not just skill set but mindset, and it's using both our IP and consulting.

# **Mark Marcon**

That's really interesting. How big of a program could something like that be?

### **Gary Burnison**

These are typically multiyear and several million dollars. I'm not saying that this particular one is that, but that's generally what these look like. And part of it then is it gets consumed by the clients, not the digital piece, but the consulting wraparound on these leadership development programs, they have to consume it. They have to pull it down off the shelf. And that's why -- I can think of one that is huge. It was an eight-digit sale to a massive, massive organization. And we are now -- we've just completed year three, and we've touched about 40% of that organization.

And so the consumption of all of those services, not the IP, obviously, but the consumption of the services is really dependent on the client's speed, not on us. And that's one reason why you see the backlog, for example, in Consulting increasing is because of that phenomenon, moving to multiyear, multimillion dollar engagements.

#### Mark Marcon

That's great. Gary, we have been in a labor recession. You guys have held up the best of arguably any of the major players that are out there that most investors look at. You've been getting more and more into Professional Search and Interim. You've made a number of acquisitions there. I'm wondering, as the environment remains relatively uncertain, what's your posture there? What have you learned from the acquisitions that you've made in terms of --what are the types of acquisitions, the best spaces where you guys actually fit? And how many more opportunities are there in terms of bolstering the areas where you really do fit?

#### **Gary Burnison**

I think the Pro Search -- let me bifurcate that. The Pro Search market, as you said, is enormous. Today, most of that business that we have, most of that solution is in the U.S. What we've learned is the contingent part of that market opportunity does not work for us, for the most part. So the learning there is we love the market, we want to go into it, but we also want to be eyes wide open. We don't want to be in contingent recruiting. It doesn't fit well with the brand in the Marquee and Diamond accounts strategy.

And there is a -- still a big opportunity outside the U.S. We're underpenetrated there. And we have to be very cognizant both in Pro Search and Interim as to what technology is going to do to a company's labor force over the next five or ten years. So we have to be very, very targeted there and very smart.

On the Interim side, what we've learned is that it is -- number one, why did we get into it? We got into it because we see a megatrend that's playing out that we continue to think is going to play out even with AI with fractional workers. And so we think that megatrend is something that we should invest into. What we've learned there is that it is very synergistic with our brand. And similar to Pro Search, the opportunity is quite significant outside of the United States. And in fact, when you look at both Pro Search and Interim, you would find that 70% or so of our solution today is in the United States. And there's an enormous market opportunity.

I think you would see us on the acquisition side more oriented towards Interim than Pro Search, because on the Pro Search side, there are a number of transactions we could do today. But those transactions would come with a large Pro Search contingent piece, which we don't think is commensurate with our brand.

#### **Mark Marcon**

Appreciate that answer--

### **Bob Rozek**

--Hey, Mark, just maybe a little bit more color. I think a couple of things for me that I have been learning. Gary mentioned the synergistic and the ability to sell across the organization within the interim business itself since we started down that path, we've created over 1,200 incremental opportunities by referring work across the system that never would have existed in those organizations had they stayed independent.

And the other thing as I talk to people in the field that I find very interesting is a lot of our clients are asking us, you do my firm hiring now, why wouldn't you help us with the interim or temporary labor force, as well. So I think there's -- the market is huge, as Gary indicated, and there's great demand amongst our client base, and it is extremely synergistic as you bring it into this organization.

#### Mark Marcon

That's terrific. Thanks, Bob. And then can I just ask about AI? It's a twofold question. One is, clearly, there's been a labor recession, for anybody who's been following the labor market for some time. And the question revolves around like even if we do see some -- the Fed acting a little bit more actively, Gary, what do you think about this -- the chance of uncertainty around AI kind of freezing certain employers? And in some cases, we are actively seeing some [inaudible] where labor demand is being reduced by AI. So I'm just wondering what you're seeing on the client front.

And then secondly, you mentioned you're injecting AI into your processes. I'm wondering if you can be a little bit more specific in terms of specific areas that you're injecting AI? How much are you spending there? And do you expect it to be an efficiency driver? And what's that impact going to be in terms of your own headcount?

### **Gary Burnison**

I'll let Bob -- Bob, you can address the second part. I guess I would -- none of us have a crystal ball. I would say, when you look at the -- take the -- America, there's no question that lower birth rates over the last 30 years are going to result in significantly less people coming into the labor force over the next many years. And so, therefore, if a country wants to grow productivity like America has done at 2% a year, how does that supply and demand imbalance get corrected? Well, it gets corrected through technology.

So I think there will be whether -- in whatever form that is, agentic AI, whatever it is, I think there will be a massive sucking sound, and it'll be this huge pull that technology will have to bridge that less people into the American workforce. So I think that's undeniable. That's mathematics; that's data.

And in this environment that companies have been dealing with now for a couple of years, the reality -- people can talk about inflation at 2% or 2.5% or 3%. That is like such belly glazing -- the fact is costs are up 40% to 50%, and that's a direct result of COVID. So in this environment, companies are having to look at ways to deliver impact to their customers more efficiently. And that has played out in the labor force over the last eight quarters by letting -- for the most part, letting attrition take its course and not being so hell-bent on replacing those people that leave.

There's no doubt that, when you look at what you can do today with AI, that any CEO would be absolutely looking at their organization and saying what does this mean for my workforce strategy? And it invariably has to mean that I'm probably going to have less employees. I don't see how one would come to a different conclusion than that. And so for us, we are -- broadly, there's inside out and outside in. Inside out, we're doing the things that you would expect around our own workforce and how we mobilize that workforce with AI. And then there's the outside in with our delivery services, and not only the consulting engagements such as we have today around going into an organization and saying are they AI ready, which we have many, many of those engagements, we're actually using, again, our IP to assess and benchmark a company's "AI readiness." But we're also using it relative to our assessment and coaching engagement.

So, Bob, maybe you could take the second part of Mark's question.

# **Bob Rozek**

Sure. So Mark, we're -- we actually are making investments into this area that are fairly substantial. Now we haven't gone out and hired a bunch of people. What we've done is we've taken approximately 40 individuals who had been within each of our solution areas working on various aspects of AI, Gen AI, and we've organized them under a central leader, a fellow named Brian Ackerman. And Brian is driving the AI, Gen AI usage in the firm. So we've taken those roughly 40 people, centralized them. We now have rolled out licenses -- depending on your skill level or what your job role is and so on, the licenses may have -- some might be more -- have more efficacy than others.

And we're going through right now and figuring out the impact that the AI, Gen AI is going to have on our work. I guess where we are today, if you think about AI and Gen AI, to me, it's -- our mantra is human plus AI. So it's really looking at those as efficiency tools. I think where it potentially gets more interesting is with the use of agents ultimately as they will be integrated into workflows, work process. And so the impact of that is obviously something that we're going to -- we'll figure out that down the road.

I would say that, as I look at our workforce scale -- Gary mentioned a couple of times on the call our backlog, right? So to me, it's not just about how do I look at AI and Gen AI as a way to get our headcount down, but it's also a way is how do I take out some of the menial tasks that folks are doing today, and I could take that freed up capacity and use that to deliver the backlog that we have. So in my mind, it's sort of a combination of, yeah, will it have an impact on our overall headcount? Absolutely. But it's also going to give us the ability to free up capacity to provide and deliver services to our clients more -- on a more rapid basis.

### **Mark Marcon**

Thank you very much. That's terrific.

### Operator

And it appears that there are no further questions, Mr. Burnison.

# **Gary Burnison**

Okay. Regina, thank you for hosting us, and we certainly appreciate you listening to our story. And we look forward to talking to you here over the next few days and over the next quarter. Thanks a lot.

### Operator

Ladies and gentlemen, this conference call will be available for replay for one week, starting -running through the day September 16, 2025, ending at midnight. You may access the Echo
replay service by dialing (800) 770-2030 and entering the access code 5927661 followed by the
pound key. Additionally, the replay will be available for playback at the company's website,
www.kornferry.com in the Investor Relations section. This concludes our call today. Thank you
for joining. You may now disconnect.