

Korn Ferry

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Kwame Yankson: Good afternoon, everyone. Thank you for joining us for this afternoon's fireside chat with Korn Ferry. We've got Bob Rozek and Bryan Ackermann here, and looking forward to having a good conversation about Korn Ferry and, you know, what they've been up to.

I'm Kwame Yankson in our corporate -- in Wells Fargo's corporate investment banking group, and will serve as the moderator today. We'll go through some prompts for them for the first, call it, 20, 25 minutes and feel free if you have any questions. With five or ten minutes left, we'd love to make this interactive if we can.

Bob Rozek: Sure.

Kwame Yankson: So, you know, I guess maybe just starting out, you know, could you please kind of walk through Korn Ferry, its transformation, call it the past five or ten years, and, you know, bring, you know, folks up to speed on the story.

Bob Rozek: Sure. Sure. I'll do a little bit better than that, I'll go 14 years, which is as long as I've been there. I started back in 2012. At that time, we were about a \$700 million business. Eighty to 85% was executive search. Our current CEO, Gary Burnison, who was a partner at KPMG, put his strategy into place that really looked to leverage those relationships. He was an audit partner at KPMG. He had good client relationships in the firm. He had built adjacent services around that that they could sell into the clients. What Gary recognized was that the strength of the executive search partner relationship was much greater than that of an audit partner. So, we set out on a mission to build a bunch of adjacent services around that relationship and then use that relationship to sell into clients.

You know, you roll the clock forward to where we are today. We're close to a \$3 billion organization. We've built a business that essentially touches every aspect of an employee's engagement with his or her employer. If you think about our core capabilities, we have org strategy, which is really not necessarily the business strategy that you would get from a Bain or McKinsey, but it's how you take that business strategy and execute it through your people and organization.

So, think about organizational design, job architecture, success profiles, roles, responsibilities, all that. We are the largest assessment house in the world. All our assessments are built by -- we have about 25 I-O psychologists, behavioral science PhDs, who built our assessments, which are based on psychometrics. Obviously, we have all the talent acquisition activities, whether it's exec search, pro search.

We ventured into the interim business as well as recruitment process outsourcing. We have leadership and professional development. The last core capability area is total rewards. And then we play at the top of the house, consulting with comp committee chairman, chairwoman, as well as lower-level management, more broad-based consulting. We've got an organization today, like I said, that touches every aspect of an employee's engagement with their employer. We really are, what I would call, an N-of-1. We're the only company in the world that has all of those assets combined. If you look at our competitor set, it differs by core capability area, but nobody has the breadth and depth of the capabilities that we have.

The other thing that makes it very interesting, and we're right on the precipice of rolling out our Talent Suite, and we went live with it on Sunday. We'll go more broad-based after the first of the year. The Talent Suite basically is a single technology platform that allows much more effective and efficient use of all of the data, IP, content, and behavioral science that sits at the center of the organization.

So, think about we've assessed 110 million people over time. We have 25 million paid data points, 12,000 Success Profiles. So, the ability to take all of those assets and the data and bring them together in an efficient and effective way, for me, is sort of the next step in our corporate evolution.

Really, we'll elevate the firm because everything we have at the center permeates everything that we do. It will not only elevate the firm, but it will really, truly differentiate us because, again, nobody has the assets that we have.

Kwame Yankson: Yes, thanks, Bob. You know, I think that's really interesting, you know, the assets that you have and, you know, the collection that really speaks to the broad set of offerings that clients can leverage. Could you talk a little bit more about that go-to-market strategy? You know, I know that there's the marquee and diamond program that clients get involved --

Bob Rozek: Yes.

Kwame Yankson: I'd just be curious to understand a little bit more.

Bob Rozek: Yes, I'll talk about a couple of things. So, our primary go-to-market movement is through the marquee and diamond accounts. It's our top 350 accounts. It accounts for about 40% of our total fee revenue. I remember when I first started, I was at my first leadership meeting that Gary held and the individual who was running North America for us at the time was a search partner. He got up in the middle of the meeting and said, this firm will never have a client greater than \$1 million. Well, today we have five over \$40 million, right, given the breadth and depth of what we have to offer to our clients.

So, our primary go-to-market model is through the marquee and diamond accounts. We create a lot of synergies, so it's easy to sell across the organization so there's so much connective tissue between our core capabilities. About 25-26% of our fee revenues come from one area of the firm referring business to another area of the firm. I believe that that number should be easily north of 30%. That's one of the things we're working hard on right now is bringing the company together rather than looking at ourselves as individual core capability or solution areas, coming together as we are Korn Ferry and really presenting ourselves not as a talent acquisition partner or a consulting partner, but more as a talent partner to our clients.

Kwame Yankson: Sounds good. Well, it wouldn't be a TMT, a tech conference, without talking about some of the latest technology, and particularly AI. We'd love to just hear, you know, you all obviously see a lot about what's going on in the talent marketplace. We'd love to just hear about, you know, how AI is impacting talent, you know, your clients, what offerings you all have.

Bryan Ackermann: It -- obviously, we're in the early innings of the most significant technology shift we've seen in, in many, many years, if at all. As you see in the market, organizations that are just throwing AI out there are kind of running into an ROI wall. It takes about two clicks before organizations realize that in order to really incorporate the value of AI into what they do, whether it's organizationally or an individual perspective, it becomes all about talent again, right?

So, Korn Ferry's ability, as Bob described, to live the life cycle with a client from how work is really designed fundamentally, leveraging the 12,000 Success Profiles we have in our Talent Suite, then use that to understand what does leadership look like when there's so much ambiguity and so much volatility because of AI, when skills are changing so much.

This capability that's in our foundational assets allows us to really help organizations redesign themselves to take advantage of AI and then take that and use it to acquire talent, use it to assess how ready the organization, individual-by-individual is for this transformation, develop them along the way, and reward them appropriately.

So, what we're finding is that as soon as it becomes a talent question again, Korn Ferry's core capabilities become extraordinarily relevant to our clients. At the same time, you know, we're a services firm like, like many others. So, we've had to lean in dramatically ourselves to transform our, you know, 9,000 colleagues to be relevant to their clients in the age, and that's been very much an activity of automating and bringing efficiencies to our own organization and allowing their core skills, the best of an executive search partner, the most amazing coaches in the world, to do what they do best, which AI is never going to do.

So, it's been an interesting set of early innings for us simultaneously beginning to transform in front of our clients while still helping them with theirs and embedding the capabilities, as Bob said, into the Talent Suite.

Bob Rozek: Yes, Kwame, one of the things that's kind of interesting about what we're experiencing right now is whenever there's a little bit of, I'll call it chaos, right? You think about

COVID, one day you're in the office, the next day everybody's at home, right. So, how does work get done? How does it get done differently? Now we have AI and when organizations are experiencing that, you know, they turn to us to say, hey, you know, there's chaos happening here. How do we operate in that new world? So, even though, you know, folks might look at it and say, well, AI's going to be something that's detrimental to Korn Ferry, it's exactly the opposite. It's an opportunity for us to engage further, with our clients.

What's different about this one is our clients are coming to us saying, hey, what are you doing about AI? And if you're not doing anything about it, don't come talk to me, right? That's why we got Bryan leaning in so heavily to drive it through our organization. They're saying, if you're not experienced at it, then how are you going to work with us?

Bryan Ackermann:

A very real example, if I may. I mean, as Bob said, we've assessed 110 million professionals, right? So, we understand behaviorally how professionals have operated, not just right now, but during the early days of COVID, during the financial crisis, during the rise of social media where there's so much innovation, right? So, that set of data and IP we've harnessed and harvested because this transformation with AI has all of these things happening simultaneously. That's what's making it so hard.

So, we turn that around and say, when we talk about, is an organization AI-ready? It's more than just, are they literate in the technology? It's, can they behave in a way that will allow them to drive change when so many things are happening at once? So, now with that capability, we help clients, but it's also becoming our, you know, more of our own benchmark on how we grow leaders inside of Korn Ferry, right? So, we're really working very hard to have the first principle of transforming ourselves using the same capabilities that we're, you know, purporting to help our clients with so that, you know, we really are client zero.

Kwame Yankson:

Yes. So, I guess with the either internally or externally, any case study you could share, you know, how you've been able to make impact thus far?

Bryan Ackermann:

Well, certainly internally, we are, you know, running the gamut as you would expect a lot of organizations are. We have kind of a four-part strategy internally. The first is us giving ourselves superpowers, like every organization is deploying tools in the enterprise to allow us to be as efficient and as effective as possible, but also to add quality and incremental value using, you know, AI in our performance of our services.

That, as Bob said, gives us the credibility to now help our clients with that using all of our capabilities from talent acquisition through our consulting, digital, and RPO capabilities, really bringing all of Korn Ferry to our clients with that credibility. Then, you know, we're changing, with the Talent Suite launch, that's showing up in AI, showing up with significant AI capabilities.

And then lastly, we're really trying to reposition ourselves. We're a talent partner, to Bob's point. Are we ready to be the talent partner when not all the talent partner has a pulse? When, you know, when organizations are [deploying AI]. We see the first, you know, real, real examples of that at scale. We are helping, you know, large companies really look at broad-based readiness for this change, as I said, much more so than simply

stopping at AI literacy. We have several examples of really looking more deeply into the organization's ability to transform with AI using our core assets. We're seeing the first generation of using AI really to drive development.

One of the elements of the Talent Suite, with its launch, is the ability to personalize to an individual level their development areas from our assessments, but then deliver real-time, live AI-driven simulations to help them practice the skills that our assessments have said they need to, to drive additional capabilities.

And what's really interesting about that is I can put it in a really specific context. So, we have organizations that are deploying our technology to their sales forces, to their go-to-market colleagues and so we can do things like, A, helping a seller in an organization leverage their strengths and work on the development areas so that they are better negotiators of a deal when the conversation gets really difficult and they have to build a lot of trust with their clients.

So, get really, really specific, but put the simulation in the context of the very specific environment that they are having to be successful in. And this is just the beginning innings for us as long as everybody else, but it's pervasive across Korn Ferry's solutions, which is why we made the decision as an organization to create a team of experts from across all the capabilities of Korn Ferry to really look across the enterprise of the problem.

Bob Rozek: Yes. Kwame, I would add, two thoughts to that. Number one is, I've got Bryan taking a look at our use of AI in the business and how much capacity are we freeing up, not so much from the perspective that I'm going, you know, to take 400 heads out, but I've got, you know, backlog of about \$1.7 billion sitting there. And so, if I can free up capacity, right, and put that capacity against that backlog, that helps accelerate, you know, our growth curve.

Bryan Ackermann: Yes.

Bob Rozek: Is number one. Number two, we talked about the talent suite, the single technology platform. I think to me, one of the most exciting things about the organization today is our ability in taking AI or Gen AI and putting it against that, right, to pull together these bits and pieces of data about an employee or an organization and coming up with really unique and differentiated analytics, points of view, insights into an organization that they're not capable of developing themselves because that data is ours, not theirs.

Bryan Ackermann: So, just to kind of build on that, on Bob's first example, in -- you know, we believe very strongly that organizations that deploy AI measure productivity savings, but kind of pause there. You know, really, they're only giving their enterprise enough information to make one decision, and that's, who am I going to fire, right?

So, in order to move past that, you really do have to redesign the way work happens to reincorporate the productivity capability of AI as well as the, you know, upper end value and precision.

So, in order to do that, we in our consulting business, as an example, are redesigning all of the processes, resource management, engagement management that Bob talked about so that there are signals to capture productivity, if I've got, as an example, extra time, and then reapply it, as Bob said, to engagements that have backlog to deliver or skills, right. That -- you've got to keep going beyond, hey, you know, I've got time free, right, in the environment. We do that at scale, and now we're beginning to significantly unlock backlog. But in order to do that, I've got to change the way work happens at Korn Ferry.

Kwame Yankson: Yes. Very interesting. I know that we also talked about the Korn Ferry digital business, which I think is about 40% of revenue now, up about 33% or so since last time you were here. But another --

Bryan Ackermann: You're talking about the subscription license?

Kwame Yankson: Yes.

Bryan Ackermann: That part of the business?

Kwame Yankson: Yes. Would love to just understand that better because I don't -- you know, I think that that's maybe something that's not as well known about your story and, you know, what you're doing in that space.

Bryan Ackermann: Sure. So, like I said, we have all those assets at the center of the organization. We call them our foundational assets. And today, people will license our pay data, they'll license our assessment protocol. And our digital business today is about a \$360 million, \$370 million business. The subscription and license from an ARR perspective is about \$160 million of that total. You know, if you go back a couple years, it was about 30% of the business. Today, it's about 40%. We believe with the Talent Suite, it's not something that's going to happen -- we launched it Sunday, and it goes crazy on Monday. It's going to take time.

You know, a lot of enablement activities are going on right now, but we believe that the Talent Suite, because it takes everything, puts it onto a single platform, allows much easier access, much more efficient use of that data, that will start to accelerate and ramp up our subscription and license business. We think it, we're never going to be Salesforce, right? We're not going to have 90% of our stuff in subscription and licenses but of the digital business, we believe that can get up to 60, 65%.

Bob Rozek: And I think kind of building on that, just from our ability to deliver, you know, the, we are Korn Ferry story to our clients, the Talent Suite, by centralizing access to the foundational assets, our IP, our data, allowing all of our Korn Ferry solutions to now embed that in their services to clients, as well as have our clients subscribe to it and do it directly, it's bringing to life all of that connective tissue that allows us to be kind of this N-of-1.

We have, you know, as we're part of the Talent Suite, a strong partnership with both Workday and SAP for SuccessFactors, which allows us to then bring that very, very closely to the way our clients operate their daily talent processes. So, as an example, Workday, you know, Workday, you're going to create job descriptions to hire people,

today, that's done by hiring managers, recruiters, you know, random HR professionals in an organization, but there's usually very little consistency to it. So, it's just a set of job specs.

Our built-on Workday app, in that, in this particular case, integrates our core IP directly into that capability in Workday so when a company creates that job specification, it's done using our view of what great looks like as its base at scale. So, now when you recruit, when you develop, when a company assesses, when a company coaches and develops and pays, they get the benefit of the scale of the Talent Suite by embedding that view of what great looks like and what it's worth directly into their Workday instance and into their processes.

That's been a journey for us, but, you know, but now gives me a great base from an AI perspective to now layer and supercharge that, as we go forward with AI.

Bryan Ackermann: Yes. One of the things that we're doing that's really interesting is we're working with both Workday and SuccessFactors to build these applications. So, whether it's our assessment protocol, it's the pay data, it, you know, could be [KF Sell], where we're helping sales organizations elevate their performance, but having those applications built onto the, I'll call it the Workday or SuccessFactors chassis. When you think about that, so an HCM system basically keeps your kind of name, rank, and serial number. But when you build our application, you plug it in into that, it brings a lot more intelligence into that application. And the thing that's great for the clients is they can go into HCM and they have access. They don't have to log out, log back in, right? It's all one seamless activity.

The great thing for us is we get embedded into a client's workflow, right, once you're in they don't rip that out and change every other year. It's -- you're in for the long term.

Bryan Ackermann: So, all of a sudden, from senior-level hiring that, you know, we might be helping them from executive search through their volume recruiting, through their assessment and development capabilities, all of a sudden, Korn Ferry is that consistent science, that language of talent. So, whether they're operating on their own, whether Korn Ferry is assisting them, it's all happening in a truly meaningfully integrated way, which benefits the client tremendously. They've got to stitch this stuff together, whether we're there or not. And for us, it makes us that sticky language.

Kwame Yankson: Yes. No, it's interesting to have the Talent Suite foundational assets across all of the business lines and really leveraging that technology, AI embedded, so that clients across all those areas can, you know, really, you know, get the benefit of it. Just maybe curious, if you take RPO, for example, you know, how has that technology platform been impacting that business?

Bryan Ackermann: Well, it's interesting because the RPO business was really the first scale user of AI in Korn Ferry because that volume recruiting business has been highly automated for years. And whether you're talking about candidate sourcing, screening, candidate care, were the, you know, early entry points for the scaled use of AI, really in Korn Ferry. What we're seeing now is with the enhancements we've made to the Talent Suite, the precision and the insight, as Bob said, coming from the assessment portions of that increasing,

we're seeing positive impact on employer value propositions because now we're able to give candidates feedback at scale using AI. It isn't always dependent on having a Korn Ferry, you know, professional give an assessment debrief or a coaching session because now we can do a lot of that with AI.

We're seeing the early days of some efficiencies coming from AI-driven recruiting, interviewing, although jury's still out. That's if you've ever had an AI interview with a bot, you either like it or you don't. That's one of those cases where it already has a bias to be highly automated and we have an opportunity to deliver even more value in that business as we go forward because of the better connection that the Talent Suite now gives us.

Bob Rozek: I think, Kwame, that business has probably been, to Bryan's point, one of the more early adopters and better integrators of those foundational assets into their solution offering. So, just to give you an example, they've baked into it our assessment protocol, they've baked into it Success Profiles, interview questions, how much, you know, pay data, all that. So, when we go into an organization, let's say somebody wants us to hire, whatever, 1,000 people a year, and we'll say, okay, give us your top 25 or 30 and we'll run them through the assessment. So, now we know what good looks like in that organization. Right, and our assessments, it's not just competencies and experience, but it's traits and drivers. So, what makes you up as a human, right, because it's really all about fit.

So, we know what good looks like, what a good fit's going to be in that company. So, when we're interviewing candidates, they take the same assessment. So, when we show up with resumes, it's what good looks like in that organization. And when we again show up with the resumes, we hand them, here's the interview questions you need to ask based on this person's sort of strengths and weaknesses coming through the assessment. Here's how much you need to pay that position, and so on. So, they've done a great job of integrating all of that into the RPO.

Bryan Ackermann: They've also really kind of been the template for us on how to do really large-scale talent analytics because as Bob said there, you know, we'll be brought on to hire 10,000 or more people in a given year. So, we get an incredible telemetry of candidate data for our clients. Our ability to give large-scale talent insight, you know, really started in the RPO business and then moved to the company more broadly.

Kwame Yankson: Sounds really good and amazing. I think, you know, maybe for Bob, you know, that that's definitely led to some EBITDA margin expansion, which I know you're excited about. Can, you know, maybe talk a little bit more about, you know, that growth?

Bob Rozek: Sure, yes. So, we've taken a number of steps to really put the business profitability at a level that we believe it should be at. Right now, our range is 16% to 18%. If you go back to the quarter before the pandemic hit, so it would have been our quarter ended in January 31, 2020, we did about \$515 million in fee revenue with about 9,000 people. You know, we roll the clock forward to today, and, you know, our run rate is between \$2.8 billion and \$2.9 billion. So, on a quarterly basis, you're a little bit north of \$700 million, and we're doing that with 9,000 people. We've driven a lot of productivity into the organization, and a lot of this is really pre the AI, Gen AI. A lot of it is Zoom and some of the other technology enablement's that have been put in place over time.

We've also taken about 35% of our real estate footprint out. It's really interesting, if you go to Asia, everybody's back in the office. In the U.S., here in the large cities, nobody wants to go in the office. In Europe, it's somewhere kind of in between. We haven't taken a firm position to say, you need to be back in the office or we're not going to give you an office. We let the local conditions kind of dictate but recognizing that, we've taken about 35% of our real estate footprint out.

The last thing we've done is, prior to the pandemic, we were spending maybe \$10 million, \$11 million a quarter on, you know, business development, travel, internal meetings, and we've been able to cut that in half. So, that has driven us to the point where we are now. If you go back over our past several quarters, we're right around 17% adjusted EBITDA margin. You know, as I look forward, you know, we're confident in that range. My own personal belief is that at any one point in time, depending on the revenue mix, it could be 17.3%, it could be 16.7%.

Over the long haul, if we get the digital business where we believe it should be, especially with the Talent Suite, and some of this uncertainty resolves itself in a world and people are back to investment mode, I think we have a really good shot at kind of going through the upper end of that range.

Kwame Yankson:

That's great. If the audience has any questions, let us know. But, you know, maybe before that, just be curious of how folks should think about your capital allocation and inorganic growth strategy.

Bob Rozek:

Yes. So, I think I'll -- maybe I'll start with the inorganic growth strategy first, with our M&A. You know, I've been at the company 14 years. We bought 17 companies. I would say we're not serial acquirers. We're actually very disciplined when it comes to doing a deal, and we'll never do a deal just because we have cash building up on a balance sheet and we feel pressured to do it. I think there's three criteria that we look at. One, it has to be strategically aligned to human capital and what we do today. Two, obviously, you have to make the math work.

You know, one of the things that we do, it's a little bit different from my prior lives, is we don't, when we go to the board, we don't try to, you know, have a huge hockey stick on revenue to make the economics work. We have a very low percentage of revenue growth, and we have a very good M&A integration playbook. So, we are able to integrate within six months, take costs out, and make the math work based on that. So, any top line you get above our low single-digit growth that's in the board case, if you will, is just icing on the cake.

In terms of capital allocation, you know, we try to take a balanced approach. We are always going to put money back into the business first because we really believe deeply in this strategy. I think the business's performance over time demonstrates that it's the right thing to do. So, we're always going to do that, whether it's hiring fee earners, promoting people, giving pay raises, making sure we got a bonus pool that's adequate, investing back into technology, the AI or the Talent Suite. That's going to be our first priority.

Having said that, we generate a lot of cash and at some point with that activity, you meet the point of diminishing returns. Back in 2014, we started a program with a dividend and a buyback. I would say for the first four or five years, we didn't do a lot with that, but more lately, we've kind of ramped that up.

So, going through the end of 2025, on an annual basis, our dividend run rate is about \$100 million. Our buyback, we spent about \$100 million on that. As we think about that, you know, we did a lot of work in analyzing our dividend over time. Over the past couple of years, you've seen some accelerated increases in that. Excuse me, I think we're at a good point with that dividend now we'll do annual smaller increases. Really, the buyback, to me, is what I like to call the swing vote. If I've got a great M&A opportunity, we're going to do that. If I don't, and we have cash building up on the balance sheet, depending on where we see the stock at any point in time, we would go more heavily into buybacks.

Kwame Yankson:

Sounds good. Unless there's anything from the audience, just be curious, you know, anything exciting for 2026 that you all or, you know, Korn Ferry's looking forward to? I would love to just hear, you know, what it what should investors be excited about next year?

Bob Rozek:

Yes. I would say, number one, I think Talent Suite, and, you know, we've got, like I said, a whole enablement program that we're getting ready to roll out after the first of the year. You know, we thought it, even though it went live, you got Thanksgiving, the year-end holiday, so you do not really have a lot of eyeballs on things right now. So, we're waiting until after the first of the year to do that.

But, for me, the thing that's really important right now, and we're going leave here today and go up to Santa Monica. We're bringing all of our partners together by industry. If you go back to January, February of this past year, we were getting ready for a board offsite and Gary -- I was with a fellow named Brian Suh, myself, and Gary. Gary said, hey, you guys, what do you think? How do you define success five years from now?

And I said to Gary, for me, it's really simple. Like, I'm a Korn Ferry partner. I go out to a client and introduce myself, and I say, hey, I'm Bob from Korn Ferry, and I stop. I'm not Korn Ferry Exec Search, I'm not Korn Ferry Consulting, or Digital. I'm just Korn Ferry. And I'm able to engage my client in a conversation that really, I get a deep understanding of their business, human capital issues. Not that I'm a subject matter expert, I'm going to tell them exactly what the solution is, but I can articulate a value proposition that we bring to that client such that when I walk out of that meeting, they're like, wow, these guys can really help us. Right?

So, we've had success managing the business by capability area with people who did point sale solutions and, you know, going from \$700 million to almost \$3 billion. As you look forward to, you know, whether you're \$5 billion or \$10 billion, doing that isn't going to take us to that level. So, right now, we're looking at an amount of organizational change and challenge that's going try to break down the silos that we built, bring everybody together, and be really looked at as our client's talent partner, not my talent acquisition partner or my consulting partner, my talent partner. I think that's the biggest -

- it'll be the biggest for us, the mindset shift, not only in us as the leaders of the organization, but in the individuals who are out acting with our clients.

So, between Talent Suite and that, I think, you know, I sit here today and I'm pretty excited about the next four or five years.

Kwame Yankson: Sounds great, and a really great way to close. Kind of one Korn Ferry coming to the table.

Bob Rozek: We are Korn Ferry.

Bryan Ackermann: We're not allowed to say one Korn Ferry anymore.

Kwame Yankson: Well, thanks, Bob and Bryan, for your time this afternoon, and thanks to the audience.

Bob Rozek: Korn Ferry.

Bryan Ackermann: Thank you.

Kwame Yankson: Thank you.

Bryan Ackermann: Thank you.