

## Q4 2023 Korn Ferry Earnings Conference Call

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**LOIS:** Ladies and gentlemen, thank you for standing by. And welcome to the Korn Ferry fourth quarter and fiscal year ended April 30, 2023 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 is being recorded for replay purposes. We have also made available in the Investor Relations section of our website at [kornferry.com](http://kornferry.com) a copy of the financial presentation that we will be reviewing with you today.

Before we turn the call over to your host, Mr. Gary Burnison, let me first read a cautionary statement to investors. Certain statements made in the 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 risk factors 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 in their periodic and other reports filed by the company with the SEC, including the company's soon to be filed end report for fiscal year 2023. 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 directly comparable GAAP financial measures is contained in the financial presentation and earnings release related to this call, both which are posted in the Investor Relations section of the company's website at [www.kornferry.com](http://www.kornferry.com). With that, I'll turn the call over to Gary Burnison. Please, go ahead, Gary.

**GARY BURNISON:** OK. We've got Lois. Everybody's on the line. Number one, good afternoon. And thanks for joining us. Our team is going to get into the numbers in a moment.

But I first wanted to start by saying how incredibly proud I am of our firm, of our colleagues, of our purpose to enable people and organizations to be more of that. And the results of our diversification strategy, which is clearly working as we had planned. So for example, while we've experienced a drop in the search business from post-pandemic highs, the rest of the portfolio performed as expected with RPO less cyclical, digital and consulting growing, and our new interim business really blossoming.

In fact, over the last 18 months or so, we've added this new interim capability which has about 400 million of annual revenue on a run rate basis, bringing our total professional search and interim business to approximately 550 to 600 million on a run rate basis. And that's the direct result of our strategy anticipating over three years ago, a workplace mobility that we thought would emerge post-pandemic. And it has.

Tectonic shifts are happening everywhere. How we produce and consume, where and how we work, how we're entertained an ongoing war, shifting trade lanes, inflation, interest rate rises at a rate we haven't seen in a long, long time, and now generative AI. These megatrends can result in change that's fundamentally good for our clients and for Korn Ferry. And it's interesting to reflect that the foundation of our firm began with IP and science.

With the world immersed in generative AI, we'll continue to invest not only in these technologies, but also in our proprietary data, assessment instruments, and knowledge. And these will be the ultimate differentiators. Amid this transformation and change, I believe we're still at the very beginning of what Korn Ferry will be with therefore much more tangible opportunity ahead to help our clients be more of that. With that, I'll turn it over to Bob Rozek.

**BOB ROZEK:** Great. Thanks, Gary. And good afternoon or good morning, depending on where you're at. As I've said before, despite the substantial progress we made evolving the business, I really believe that we're still in the early innings of this transformative journey.

As Gary mentioned, strategy is working. It's producing the growth and results we set out for, which really are the proof points that the strategy is in fact working. With what has become an ongoing backdrop of macro uncertainty, the execution of our strategy has produced another successful year with organic and inorganic growth resulting in an all-time high of slightly more than \$2.8 billion in fee revenue.

If I go back two short years to fiscal '21, which is the year of the pandemic, our fee revenue has grown by more than \$1 billion in that time. And 70% of that growth came organically with the rest coming inorganically. Our consulting business showed resilience throughout the year bolstered by the relevance of our larger integrated solutions. Our digital business also showed resilience while continuing its transformation from selling analog point solutions to licensing our digital performance management tools.

RPO remains extremely well positioned with its strong track record of large new business wins. And I expect that business to return to robust double digit growth when a lot of the uncertainty that we're seeing today clears. Demand in exact search and in the perm placement portion of professional search moderated in the second half of last year. But in the same time, demand in interim remained steady. And that offset some of the transitory softness in the perm placement businesses.

Synergistic referrals between interim and perm placement plus referrals between our other lines of business and our marquee and regional accounts were significant contributors to the achievement of our FY23 annual fee revenue. So again, it's clear to me that our strategy is working. So we're going to continue driving our integrated solution-based go-to-market strategy, including our marquee and regional accounts, delivering unparalleled client excellence, extending our very strong Korn Ferry brand, advancing Korn Ferry as the premier career destination, and continuing to pursue transformational opportunities at the intersection of talent and strategy. With that, let me turn the call over to Greg, who will take you through some of the overall company financial highlights.

**GREG:** Thanks, Bob. And the fourth quarter of global pre-revenue was \$731 million, up 8% year over year, and up 12% at constant currency. By line of business, fee revenue continued to moderate from post-pandemic highs for our permanent placement talent acquisition solutions, executive search, professional search, and RPO.

However, other lines of business remain stable in the quarter. Measured year over year at constant currency, fee revenue was up 3% for consulting, up 5% for digital. And aided by our recent acquisitions of ICS and Salo, fee revenue for our interim services grew \$70 million year over year.

Consolidated new business in the fourth quarter also moderated and was down 4% year over year at actual foreign exchange rates and down 2% at constant currency. Consistent with fee revenue, new business in the fourth quarter moderated most in executive search and professional search. In line with our guidance, earnings and profitability also moderated in the fourth quarter.

Adjusted EBITDA in the fourth quarter was \$98 million with an adjusted EBITDA margin of 13.4%. Earnings and profitability in the fourth quarter were impacted by a number of factors. These factors include the mix shift in fee revenue, by line of business, startup costs associated with the ramp up of newly awarded large RPO assignments, investments in headcount to preserve fee generating and execution capacity, and product development initiatives for digital.

Our adjusted fully diluted earnings per share in the fourth quarter were \$1.01 down 74%-- I'm sorry, down \$0.74 or 42% year over year. Adjusted fully diluted earnings per share excludes \$6.9 million or \$0.10 per share of restructuring charges related to the cost true up of actions taken in the third quarter and integration and acquisition costs associated with our recent acquisitions. GAAP diluted earnings per share in the fourth quarter were \$0.91.

Our investable cash position at the end of the fourth quarter remained strong at \$488 million. And our capital allocation continues to be well balanced. For all of fiscal '23, we deployed \$490 million of cash, using \$94 million per share repurchases, \$33 million for dividends, \$62 million for capital expenditures, \$255 million for M&A, and \$19 million for debt service. That'll turn the call over to Tiffany to review our operating segments in more detail.

**TIFFANY:**

Thanks, Greg. Starting with KF Digital, global fee revenue in the fourth quarter was 91 million, which was up 2% year over year and up 5% at constant currency. Digital subscription and license fee revenue in the fourth quarter was \$32 million, which was approximately 35% of fee revenue for the quarter.

The accumulation of sales of subscriptions over time has created year over year growth in subscription-based revenue with increases in both sales effectiveness and total rewards tools. Global new business for KF Digital was \$101 million with 35 million or 35% of the total tied to subscription and license sales. For consulting, fee revenue in the fourth quarter grew to 175 million, which was flat year over year, although both periods are all time highs and up approximately 1% at constant currency.

Fee revenue growth was strongest in organizational strategy, followed by assessment and succession in rewards and benefits. Additionally, global new business for consulting in the fourth quarter was down slightly, 4% year over year at constant currency with mid-single digit growth in EMEA. The professional search and interim business increased 40% in the fourth quarter versus last year, driven by double digit strength in North America and aided by the current year acquisitions.

Total fee revenue was \$152 million, up 51 million or 50% over the same time period. Breaking down the quarter, growth in the interim business was more than enough to offset moderation in the permanent placement portion of the segment. Interim services fee revenue grew to 89 million from \$20 million in the same quarter of the prior year driven primarily by the recent acquisitions. Permanent placement fee revenue declined by \$18 million to \$63 million year over year, down 23% at actual and down 22% at constant currency.

Moving on to recruitment process outsourcing, new business for the fourth quarter was strong once again at 115 million. And total revenue under contract at the end of the quarter was approximately \$777 million. Fee revenue totaled 100 million, which was down 13 million or 11% year over year, and down approximately 9% at constant currency.

Although we are seeing notable sequential improvement within life sciences, overall fee revenue is impacted by a moderation and hiring volume from all other industries in the base and backlog. We see this slowdown as transitory and believe RPO is well positioned to benefit when hiring returns to more normalized levels in the base and the larger, more recent wins begin converting to revenue. Our pipeline remains strong as RPO continues to win new business with differentiated service offering in the marketplace.

Finally, global fee revenue for executive search in the fourth quarter was 213 million. And as expected, experienced a year over year decline of 11% at constant currency compared to the high growth rates enjoyed during the pandemic recovery last year. Demand continued to moderate most notably in North America and APAC followed by EMEA and Latin America. Global new business in the fourth quarter for executive search was down 20% year over year and down approximately 19% at constant currency. I will now turn the call back over to Bob to discuss our outlook for the first quarter of fiscal '24.

**BOB ROZEK:** Great. Thanks, Tiffany. Assuming no new or further changes in worldwide geopolitical conditions, economic conditions, financial markets, and foreign exchange rates, we expect fee revenue in the first quarter of fiscal '24 to range from \$668 million to \$698 million. Our adjusted EBITDA margin to be approximately 13.5%. And our consolidated adjusted diluted earnings per share to range from \$0.84 to \$1. Finally, we expect our GAAP diluted earnings per share in the first quarter to range from \$0.78 to \$0.95.

In closing, I want to thank all of our colleagues for just an absolutely tremendous year. We continue to believe our portfolio of distinctive organizational consulting solutions, which are based on our deep, rich proprietary IP and data, delivered by our world class colleagues will continue to differentiate Korn Ferry on our journey to become the preeminent organizational consultancy. With that, we would be glad to answer any questions you may have.

**LOIS:** Thank you, ladies and gentlemen. If you wish to ask a question, please press one then zero on your touch tone phone. You will hear an acknowledgment tone that indicates that you've been placed in the queue. And you may remove yourself from queue at any time by repeating the one zero command.

If you're using a speakerphone, please pick up your handset before pressing the number. Once again, if you have a question, please press one and zero at this time. And our first question comes from the line of George Tong from Goldman Sachs. Please, go ahead.

**GEORGE TONG:** Hi. Thanks. Good afternoon. The consulting and digital businesses were relatively resilient this quarter particularly when compared to exec search and prem placement. Can you discuss the broader selling environment across these business lines and walk through where you're seeing the most change and what assumptions you're currently reflecting in your fiscal 1Q outlook?

**GARY BURNISON:** The amount of change that is happening is breathtaking. From the days of darkness and COVID to economic changes, to geopolitical changes, to the fact that the US labor force and other Western economies, the number of people in the workforce really hasn't changed. So there continues to be this move towards upskilling, towards retaining developing talent.

And if you look at fundamentally what we are doing, we're providing solutions for individuals and organizations to be successful. So whether it's employee fit, coaching, development, methodology, compensation, and design, you name it. That's where Korn Ferry is playing today. And when you look at the results, it's absolutely in line with the very beginning of the strategy.

And so you're seeing an environment where the world came to a halt. There was incredible demand on all fronts in many, many industries. And you saw the executive search business a huge, huge upswing. And what we're seeing here is a significant moderation of search, a decline in volume.

It's interesting to note that basically where we are today in search was essentially where we were pre-pandemic. Revenues up a little bit more than where we were pre-pandemic. Volume is a little bit down. But what you're saying is the cyclical parts of the business, the search business, are seeing that drop in demand that you would expect.

But RPO is less cyclical than search. And consulting, digital, and interim are all less cyclical than RPO and search. So it's playing out exactly as we thought. And what I've seen over the last few months is a stabilization of search, which is good.

In May, we saw a rebound in China. And so our main new business overall was up 5%. Search was down about 12%. The consulting and digital were up. And so essentially, it's playing out as we called for in the strategy.

The marquee and regional accounts were almost 40% of our new business. So is the marquee different than it was a year ago? Yeah, absolutely it's different than a year ago.

But a year ago, people were coming out of darkness. And there was this just huge amount of activity across industries. So it is different than a year ago. But I think I'm really proud of where the organization is. And the results kind of bear out the strategic thesis that we had all along.

**GEORGE TONG:** Very helpful. Separately, you noted that interim search trends remained relatively steady. If you look at other interim staffing providers, even in the higher end IT sector, they've been seeing some revenue headwinds and year over year revenue declines. Can you discuss what's driving the positive separation of Korn Ferry's interim search business and staffing business compared to competitors?

**GARY BURNISON:** Well, I would expect some moderation. I mean, there's no-- look, we're not going to be immune. But again, it is a large market, a huge market. You've got people that are changing the way that you work.

We saw this really in April, May, June of 2020. This was a conscious decision that we're going to get into this market in a big way, particularly around finance and accounting, technology, HR, supply chain, that we were going to go big into it. And in a very, very short amount of time, I think we've developed a very, very high-end business with an average hourly rate of \$124.

So I'm not going to sit here and pretend that we're immune. I do think one of the things that is helping us is the amount of cross referrals. And so I look over essentially an 18-month period. And what we see is almost \$50 million coming from cross referrals, cross-sales, whatever word you want to use with nearly 700 deals.

And so I think that when you look at maybe some other firms that are strictly in that business, they don't have the wider platform of Korn Ferry. And we'll see if that's going to continue to be a differentiator. I personally think it will be. But I'm not going to sit here and say that we're going to be immune from what we're seeing and what others are seeing when it comes to interim services.

**GEORGE TONG:** Thank you.

**LOIS:** Thank you. Our next question will come from the line of Tobey Sommer from Truist Securities. Please, go ahead.

**JASPER BIBB:** Hey, good morning. This is Jasper Bibb on for Tobey. I just wanted to ask how you're thinking about the long-term EBITDA margin targets just given. We've seen the mix of lower margin interim and RPO come up as well as the company's been able to continue to take fixed costs out of the business. So you think that 18% to 19% range is still feasible? Or would it potentially be lower than that now? Thank you.

**GARY BURNISON:** Well, Bob, will answer that question directly. But I would just provide context. When you look at this firm, and I've seen it go from sub 300 million to 3 billion, that what you would say is peak to peak, cycle to cycle, trough to trough, we've continually gone up and to the right. That is absolute fact. And you can look at it in the data.

The other thing I would point out is that we did make a conscious decision to address a large market that we think is going to be quite lucrative for shareholders and our colleagues over the next several years. And that's interim services. So with that, and an increasing focus on RPO, when you look back in the past, clearly, there's about a 200 basis point difference.

And so I think you really have to factor that in to the modeling. Before the pandemic, if I remember right, and Bob can correct me, we were probably running 15, 14.5, 15.5 EBITDA margins. Then we saw a huge upswing a year ago. And I would just say that whatever those models and those boundaries, I do think you have to adjust it by a couple hundred basis points for the changing mix of business as we look forward. But, Bob, what would you say on the specific operating boundaries for the firm?

**BOB ROZEK:** Yeah, sure. Thanks, Gary. I think, as I said in the remarks, Q1 we expect to be 13.5%. And I would say for the near term, we would continue to manage the business to about 13% to 14%, somewhere in that range as we're just continuing to invest in our revenue generating capacity.

If the long anticipated recession were to occur, and again, depending on the severity, we would manage the business mid to high single digits in a more severe downturn, and then low double digits in a more moderate scenario. And ultimately, from a longer term perspective, obviously, it's going to depend on what the business looks like. If search bounces back, if we get digital where we think it's capable of going to, as Gary alluded to, RPO is just continuing to win new business and become a larger piece of the pie. So there's a lot of moving pieces.

But I would say from a long-term perspective, you should expect to see us in the 16% to 18% range. So down a little bit from the 18%, 19% where we previously communicated. But I would say 16 to 18 is probably a good spot to land at this point.

**JASPER BIBB:** Thanks. That makes sense. And then, Gary, you mentioned generative AI in the prepared remarks. I know it's still early, but any preliminary expectations for AI risks or opportunities in the business model?

**GARY BURNISON:** Well, we've got a three-fold plan. We're going at it big time. Let me just first say that nobody knows exactly where this is going to go. So that's number one, even the so-called leaders in the space.

It's gained a lot of attention for very, very good reason. Could it be to the knowledge worker what the industrial revolution was to manufacturing? I don't know if I would go that far. But clearly, it's an opportunity for us. And so we're really looking at it in three dimensions.

One is around how we can use it offensively to drive greater impact with our clients. Two is around our vulnerabilities. And three is around the people that we need to partner with, the broader ecosystem, to help navigate that.

But I would just say that I believe very, very strongly that in this business, and I think what we've proven over the years is that data and knowledge is everything. So we've got teams right now looking at are we capturing all the data we can be capturing, are we putting it in a warehouse, can we easily access that warehouse to provide insights to our clients. And then secondly, our IP and our assessment is that truly fit for purpose in this world that we're heading into in the next five years, where there's not much anticipated labor growth.

There's going to be skill shortages continuing. And is our assessments in IP fit for purpose for the next five years, the next 10 years? And I really do believe that those two things-- data insight knowledge or assessment in IP, we have to make sure that we're investing in. Because I think that no matter where this AI conversation goes, that ultimately, I think, will be the winner.

And so clearly, we've been using AI in part of our recruiting processes for some time now. But clearly, around our learning and development business, there's an enormous opportunity there. That's an area that we're focused in on. But just practically speaking, you make your path as you walk it. And I just think that data, our IP, our assessment, the knowledge that we have, we have to make sure that we are putting enough capital into the foundation of the firm.

**BOB ROZEK:** Hey, Gary. It's Bob. I would just add to that one point. So if you think about where Korn Ferry shines relative to our clients, it's helping them work through disruption. And like you said, wherever generative AI is going, nobody knows for sure.

But the likelihood of it being disruptive obviously is there. And you think about what we've done during times of social disruption, COVID, remote, hybrid working, and so on. We've been partnering with our clients to help them work through those disruptive periods. And as I look at this, I think this is just another step along the way for us to help our clients work through disruption and continue to drive their businesses forward.

**JASPER BIBB:** Appreciate the detail there. Last one for me. You mentioned China picked up from a search perspective a little bit in May.

At least domestically, it seems like we've seen capital markets activity start to pick up a little bit of really low levels in June. Maybe it's early, but are you seeing any green shoots domestically for the search business in June just given the rebound in equity markets? And maybe the IPO pipeline starting to warm back up?

**GARY** When you say domestically, are you talking about domestic China or domestic United States?

**BURNISON:**

**JASPER BIBB:** Domestic United States.

**GARY** Well, look, one month doesn't make a trend. What we saw in May was certainly good news. When you look month sequential, so not month year over year. But if you just look month sequential and you take April to May, our normal seasonal pattern we would expect new business to be down 3% to 5%. We were up 5%.

**BURNISON:**

On an organic basis, it would probably be in that down 3% to 5%. So right in line. May to June, we would expect to see month sequential, not year over year, but month sequentially we would expect that to be up 5%. And we haven't closed out June year. We have a number of days left.

Then you've also got the 4th of July. And we're kind of in line with that kind of number. So I think you're right. It may be too early for green shoots.

But certainly, it's more encouraging than not that over the last few months, we've seen a stabilization in the executive search business. And in North America, May new business was the trend, the trend was better than it was the previous month or two. But again, with our consulting, and digital, and interim businesses, those have really held up quite well overall.

**JASPER BIBB:** Yeah. That's fair enough. Thank you for taking the questions.

**LOIS:** Thank you. And our next question is from Trevor Romeo from William Blair. Please, go ahead.

**TREVOR** Hi. Thanks so much for taking the questions. First, I just kind of wanted to ask about fourth quarter results relative to your expectations, particularly on margins since revenue was above the guidance, EPS was kind of more in line. I think Greg's comments had talked about the mix shift in revenue, startup costs with some RPO engagements, investments in headcount and product development. We're just wondering if you could maybe talk about which of those factors had more of an impact than you might have thought going into the quarter, if any? Just any kind of color on the margin performance in the quarter would be great.

**ROMEO:**

**GARY** Well, I'll let Bob can comment. I would just say that we had guided to an EBITDA margin of, I believe, 14%. And I think where we came out was 13% and 13.5%. So it was actually fairly close to what we had expected. I mean, in any given quarter, you could have some unusual items swinging one way or the other.

**BURNISON:**

But I guess I wouldn't say that-- we said seven months ago that we were going to run the business at 14%. So this is pretty close to that. And again, when you see the falloff in search, then you see this mix shift that's happening within the organization. I think it was substantially in line with what we had thought like seven or eight months ago and that we told our shareholders. But, Bob, you can probably give a better view, I think, than I can.

**BOB ROZEK:** Yeah. So, Trevor, if you look at whether you go quarter sequential, year over year, the mix shift is likely 80% of the decline that you see in the adjusted EBITDA margin. As Gary said, it's the primary driver of it in the fourth quarter because our revenues exceeded the top end of our range. We did have in our business when a lot of the bonuses are driven off revenue. So we had a book a little bit more bonus in the fourth quarter to satisfy the demand. But the primary driver is just the change in mix.



**TREVOR** OK. Got it. Thanks. That is helpful. And then for my follow-up, just kind of wanted to ask about your M&A pipeline.

**ROMEO:**

I think we've heard from some other companies about a tough M&A market with disconnects on valuation between buyers and sellers. Others may be suggesting the pipeline could open up a bit. You guys have obviously done a few acquisitions lately yourselves. Just kind of wondering where your pipeline stands today, which areas you kind of see being attractive right now? Thanks.

**GARY** We've always taken a very systematic approach to capital allocation. And we would expect that to continue. At

**BURNISON:** any one given point in time, I don't really say the pipeline is big or small. I mean, that's not how we're going about it.

We're going about it to say, where's the real market opportunity? Where can we have greater client impact? And in whatever we're looking at, what is the neighborhood look like at 11 o'clock at night? What are your neighbors like?

It's all about, it's all about culture fit. You go through cycles, up cycles, down cycles. I don't really look at it that way. We continue to have a very systematic approach. And we continue to meet with companies to get to know them. And so I don't think today is any different than it was say, three or four months ago.

**TREVOR** Thank you very much.

**ROMEO:**

**LOIS:** Thank you. Our next question is from Marc Riddick from Sidoti. Please, go ahead.

**MARC RIDDICK:** Hey, good afternoon. I just wanted to, I just wanted to touch on a couple of areas that you touched on earlier. But I just wanted to follow up on as far as the opportunities that you see before. You talked about being willing to invest and adding talent as we go through the year. Are there any particular areas either strategically or geographically that are really sort of jumping out as feelings though maybe you're understaffed or maybe missing an opportunity at this point?

**GARY** Well, there's a couple places in the world where I've asked our team to quadruple our business. I mean, I'm not

**BURNISON:** going to point those out publicly. But clearly, it's not one size fits all.

There's countries that are doing exceptionally well right now. And we have great businesses there. But we're just scratching the surface of what that could be. I'm sure you could maybe guess at what those are. But we've got a very aggressive plan in two or three geographies that we see huge, huge opportunity.

Look, the consulting business is a no-brainer. And despite where we are today, I continue to believe that we can use more colleagues and more resources in the consulting area. I don't want to just say that's the favorite child because there's a number of opportunities we could pursue. But just broad based, we've just seen some enormous wins with our consulting and digital solutions working together.

That's a multi-billion dollar opportunity for us over the medium to long term. And so that's the thing that would come screaming off the page. And then I think that the fact that we have this incredible data, and how do we go about licensing that?

How do we go about using that, either stand alone or with consulting, pushing or pulling, and really helping to solve what I think are going to continue to be organizational challenges for clients. I mean, in a time of tremendous change in the labor market, that's really not moving. And I think that's an opportunity for Korn Ferry.

**MARC RIDDICK:** That's very helpful. And then maybe you can touch a little bit on what your thoughts are or expectations are on CapEx for this fiscal year and how that might play into tech spend? And maybe whether that is to some level tied to the AI commentary that you had earlier, maybe tie some of that a little bit together to give us a sense of where we might be going there? Thanks.

**GARY  
BURNISON:**

Bob?

**BOB ROZEK:** Yeah. I'll take it. So our capital spending this year will be relatively consistent with what we saw last year in FY23. So figuring somewhere kind of \$65 to \$70 million with probably somewhere around 50 of that going into the digital business.

There will be some in the consulting business. And then the rest would go to making sure that the fort protects all the assets and keeps the bad guys out. But I would look at our CapEx this year very consistently with what we did last year.

**MARC RIDDICK:** Great. Thank you very much.

**LOIS:** Thank you. And the next question is from Mark Marcon from Baird. Please, go ahead.

**ANDRE  
CHILDRESS:** Hello this is Andre Childress on for Mark Marcon. Thank you for taking our questions. Could you go into some detail about what you're seeing by geography and by vertical?

I think it's interesting how well EMEA has held up on the search side, at least relative to North America. And then I know previously you said industrial was holding up pretty well. But can you give an update on what verticals might be doing well or which ones may be struggling a little bit more?

**GARY  
BURNISON:** Well, I think you saw in EMEA it's more than the search business. It's all the businesses are doing very, very well. It's fairly broad based. I mean, there's a couple of areas that are really performing extraordinarily well. So it's more than search.

In EMEA, it's across the entire platform. Industrial is, that's important for us. It's almost 30% of the company. It's a big, big part of our portfolio.

And if you look, either you look at year over year, for example, and you're seeing an 8% lift here. And clearly, the Infrastructure Act in the United States is having some impact. No doubt about it.

But you see it across manufacturing, energy, engineering, and construction, and even sequentially automotive held up. So it's been fairly, it's been fairly broad based within industrial. I'm not going to pick on one sector. But overall, that's a positive for Korn Ferry given the size of industrial relative to the other pieces of the portfolio.

**ANDRE CHILDRESS:** Great color. Thank you. And then switching over to the interim side, could you talk about maybe what roles or skills you are seeing particular success with, whether it be within cross-sell or outside of that? And then also, when you're looking at adding capacity both organically as well as inorganically, maybe what areas would you be more likely to add to?

**GARY BURNISON:** Well, we're going to-- we really do believe that finance and accounting, technology, supply chain, HR, those would be the areas that are the natural adjacencies for Korn Ferry. And that we would tend to stay at the high end of those markets. And so that's kind of our strategic focus.

It is impressive. I mean, the quality of the people that have joined, the kinds of assignments that we're doing, and the fit within Korn Ferry, I mean, to think about in a very, very short amount of time that you've seen a \$50 million revenue lift in about 18 months, maybe it's a little bit longer. But 700 deals? I mean, wow!

You start to extrapolate that out. It's a real, real positive. And so that's one of the foundations of the strategy is that can we create more impact with clients with a broad platform that ranges from org strategy to compensation and benefits, and developing people and leaders?

And when you look at the firm overall, our cross referrals are 25% to 30% of the overall firm. You look at that and you look at the marquee and regional accounts, and you think about that being 35%, 40% of the firm. It's working is my point.

And so we do believe that with this high-end interim service that we have, there could be some moderation. I mean, I'm not going to-- how could we be immune? But the market potential is enormous.

**BOB ROZEK:** Yeah. Gary, the only thing I would add to that too is the proclivity for executive search to work with the Patina folks on the C-suite interim placements. That seems to be an area that there's real synergies going on as well.

**LOIS:** Thank you. And that does appear to be the final question. Please, go ahead with any closing remarks.

**GARY BURNISON:** OK, Lois, thank you for moderating this. And, as Bob said, we're incredibly proud of our team. We certainly appreciate you listening. And we look forward to speaking to you very, very soon. So with that, we'll sign off and have a great day. See you. Bye-bye.

**LOIS:** Thank you, ladies and gentlemen. This conference is available for replay beginning at 11:00 AM today and running through July 4th at midnight. You may access the AT&T replay system at any time by dialing 1-866-207-1041 and entering the access code 4932486.

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