

# Q1 2024 Korn Ferry Earnings Conference Call

**GREG BUTTON:** Ladies and gentlemen, thank you for standing by. And welcome to the Korn Ferry first quarter fiscal year 2024 conference call. At this time, all participants are in a listen-only mode. Following their 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](http://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 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 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 2023 and the company's soon-to-be filed quarterly report for the quarter ended July 31, 2023.

Also, some of the comments today may reference non-GAAP financial measures, such as constant currency amount, EBITDA, and adjusted EBITDA. Additional information concerning these measures, including reconciliations to the most directly comparable GAAP financial measure 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](http://www.kornferry.com).

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

**GARY BURNISON:** OK, thank you, Greg. And good afternoon, everybody. And thanks for joining us.

Our team is going to get into the numbers in a second. But I first want to say how incredibly proud I am. Proud of our firm, of our colleagues. And our diversification strategy is the right one.

I mean, it continues to positively influence our results. I would point out that clearly the market demand for prime placement talent acquisition has softened from post-pandemic highs. But the rest of the portfolio has performed absolutely as designed.

I mean, our consulting and digital businesses have never been more meaningful, especially when you think about tomorrow's economy when there's going to be continued demographic shortages, skill shifts all over the globe. I really as I step back and tap Google Earth, I think much of the business world is in the midst of a multi-quarter cyclical reset.

Not only in how we work, but also adapting to an interest rate environment that we haven't seen in almost two decades. This transitory period is going to bring about, I think, significant change, and more importantly, opportunity for Korn Ferry.

And we're going to seize that opportunity with a three-point strategy. Number one, optimize, two, innovate, and three, consolidate. And Bob's going to get into that a little bit more in his remarks.

And I would just conclude by saying while we're certainly not where we used to be, we're definitely on the road to where we want to be. The firm that enables people and organizations to be more than. Bob, I'll turn it over to you.

**BOB CASEY:** Great. Thanks, Gary. And good afternoon or good morning, depending on where you're calling in from. Listen, I echo Gary's comments in that.

We're pleased with the results from the first quarter of the fiscal year. As our earnings and profitability remain sequentially stable despite the challenging of macroeconomic backdrop, as well as a seasonally slower fee revenue quarter.

As I step back and put the quarter in context, I'm also pleased that our results are a clear demonstration that we continue to successfully execute our strategy. We've built a company with a portfolio of core and integrated human capital solutions that are both highly relevant in the world today, as well as synergistic with respect to top-line.

In an environment where other employment services companies are seeing downward pressure on their top-line, as we've executed our strategy, our fee revenue was essentially flat year-over-year. As client demand around solutions such as workforce transformation, assessment and succession, interim contract labor, offset the expected moderation in permanent placement talent acquisition.

Now you heard Gary speak about our strategic focus going forward. Optimize, innovate, and consolidate. So let me start with optimize first.

And we are going to continue to drive productivity by leveraging our cost base. In fact, if you take Q1 of FY24 and compare that to Q3 of FY20, that's the quarter right before the pandemic.

Our fee revenue per employee is up 18%. OK, we will also continue to pursue opportunities in faster-growing economies with governments that are driving economic, infrastructure, and human capital initiatives with our marquee and regional accounts, and with our cross-line of business referrals.

Now let me turn to innovate. We will be at the forefront of talent and organizational data, ensuring that our EP is fit for purpose for the foreseeable future. We're going to continue to leverage new technologies as they emerge, such as generative AI to drive greater client impact.

We'll continue with our investment to monetize our intellectual property through our digital business and increase our emphasis and investment in our expansive and proprietary data. Last, I'll touch upon consolidate where our efforts are going to be focused on continuing our investment in strategically aligned, less cyclical, faster-growing, and larger addressable markets.

We're going to continue to focus on building out a global, executive, and professional interim business. Expanding our business in leadership and professional development, as well as our capabilities in leadership development outsourcing. And we'll continue to explore opportunities in strategic and operational consulting.

Now with that, let me turn the call over to Greg who's going to take you through some of the overall company financial highlights.

**GREG BUTTON:** Thanks, Bob. And the first quarter global fee revenue was \$699 million flat year-over-year at actual foreign exchange rates and at constant currency. Fee revenue continued to moderate from post-pandemic highs and our permanent placement talent acquisition businesses and was offset by stable revenue for both consulting and digital and revenue from our recent investments in interim services.

By line of business measured year-over-year at constant currency, fee revenue was down 12% for executive search down 21% for professional search permanent placement and down 16%

for RPO. In contrast, fee revenue growth measured year-over-year at constant currency was up 1% for consulting, up 5% for digital, and aided by our recent acquisitions of ICS and silo. Fee revenue for interim services was up \$59 million.

Consolidated new business in the first quarter excluding RPO was up 1% year-over-year at actual rates and up 2% at constant currency. Consistent with fee revenue, new business in the first quarter moderated most in executive search and permanent placement professional search. Earnings and profitability measured year-over-year also moderated in the first quarter.

Adjusted EBITDA in the first quarter was \$96 million with an adjusted EBITDA margin of 13.7%. Consistent with recent quarters, earnings and profitability in the first quarter were impacted by the mix shift in fee revenue by line of business, investments in headcount to preserve fee-generating and execution capacity, and product development initiatives specifically for digital.

Additionally, it should also be noted that adjusted EBITDA in the first quarter was essentially flat sequentially with a 30 basis point improvement in margin driven primarily by cost control measures implemented over the last two quarters. Finally, our adjusted fully diluted earnings per share in the first quarter were \$0.99 down \$0.51 or 34% year-over-year.

Adjusted fully diluted earnings per share exclude approximately \$6 million, or \$0.10 per share of restructuring integration and acquisition costs primarily related to our acquisitions, as well as an incremental reduction in our real estate footprint. Our investable cash position at the end of the first quarter was \$481 million.

In the first quarter, we deployed \$34 million of cash, 4 for share repurchases, 8 for dividends, 13 for capital expenditures, and 9 for debt service. Now I turn the call over to Tiffaney to review our operating segments in more detail.

**TIFFANEY STYLES:** Thanks, Greg. Starting with KF Digital, global fee revenue in the first quarter was 88 million, which was up 5% year-over-year at actual and at constant currency. Digital subscription and license fee revenue in the first quarter was 33 million, which was approximately 37% of fee revenue for the quarter.

The increase was primarily due to the continued execution of our strategy to move from point sale solutions to longer-term subscription and license sales. And also, an increase in assessment tools as the technology industry began investing again with the focus on leadership development.

Global new business for KF Digital was 93 million with 32 million, or 34% of the total tied to subscription and license sales. Or consulting, revenue in the first quarter was 168 million, which was up approximately 1% at both actual and constant currency.

The revenue growth was strongest in assessment and succession which increased 10% year-over-year. Average hourly bill rates continued to climb now close to \$400 an hour, which is up over \$30 an hour from just one year ago.

Additionally, global new business for consulting in the first quarter was up 7% year-over-year at constant currency with double-digit growth in EMEA and Latin America. The professional search and interim business increased 29% at constant currency in the first quarter versus last year driven by double-digit strength in North America and aided by the current year acquisitions.

Total fee revenue was 142 million up 43 million or 44% 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 84 million from 25 million in the same quarter of the prior year driven primarily by the recent acquisitions.

Permanent placement fee revenue declined by 16 million to 58 million year-over-year down 22% at actual and down 21% at constant currency. Moving on to recruitment process outsourcing, new business for the first quarter was 48 million and total revenue under contract at the end of the quarter was approximately 680 million.

Fee revenue totaled 96 million, which was down 18 million, or 16% year-over-year and down approximately 16% at constant currency. Fee revenue was impacted by a moderation in hiring volume 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 fee revenue. Although the quarterly new business can be choppy at times, the pipeline remains strong as RPO continues to win new business. The differentiated service offering in the marketplace place, which includes our new data-driven recruiting technology nimble that uses, that draws upon our unique data IP and talent management expertise.

Finally, global fee revenue for executive search in the first quarter was \$205 million. And as expected, experienced a year-over-year decline of 12% at constant currency compared to the high growth rates enjoyed during the pandemic recovery in the first quarter of last year.

Demand continued to moderate most notably in North America and Latin America followed by EMEA and APAC. Global new business in the first quarter for executive search was down 14% year-over-year at actual and at constant currency. I will now turn the call back over to Bob to discuss our outlook for the second quarter of fiscal 24.

**BOB CASEY:** Great. Thanks, Tiffaney. Now assuming no new major pandemic-related lockdowns or further changes in worldwide geopolitical conditions, economic conditions, financial markets, and foreign exchange rates. We expect fee revenue in the second quarter of fiscal 24 to range from 675 million to \$695 million. Our adjusted EBITDA margin to be 13 and 1/2 to 14%.

And our consolidated adjusted diluted earnings per share to range from \$0.91 to \$1 one. Finally, we expect our GAAP diluted earnings per share to range from \$0.85 to \$0.97.

Now in closing, we have amassed, a unique collection of intellectual property, data, content, and science that really is aligned to helping companies solve their business in human capital issues. With these assets, we will continue to partner with clients, helping them build long-term talent strategies that balance company growth with the needs of employees.

Also with the synergistic assets, which really touch every aspect of an employees' engagement with his or her employer. We are well-positioned to continue to drive top line growth. No business issue or problem has ever been solved without the involvement of people.

And that's exactly where we come in. Working through and with people. We help individuals and organizations exceed their potential every day. With that, we would be glad to answer any questions you may have.

**GREG BUTTON:** Ladies and gentlemen, if you'd like to ask a question, please press 1 then 0 on your telephone keypad. You may withdraw your question at any time by repeating the 1,0 command. If you're using a speakerphone, please pick up the handset before pressing the numbers.

Once again, if you have a question, please press 1 then 0 at this time. And one moment, please, for your first question.

Your first question comes from the line of George Tong from Goldman Sachs. Please go ahead.

**GEORGE TONG:** Hi. Thanks good morning. In the past, you've provided data on cross-selling interim search across your various segments. Can you provide an update on cross-selling include traction with business lines beyond interim particularly within your marquee and regional accounts?

**GARY BURNISON:** It continues to be very, very good. We find overall for the platform. Number one, the global market and regional accounts are almost 40% of the portfolio.

Then when you look at the cross referrals, they're typically in any quarter 25% to 30%. And you would find that cross referral percentage to be higher into RPO, into pro search for sure.

When you see the cross referrals into digital, it's about 35% or so. So overall, it continues to demonstrate that the strategy is working, that we have more reasons to talk to clients. And that continues to be a huge opportunity for the firm.

**GEORGE TONG:** Got it. That's helpful. And then within your RPO business, new business fell approximately 68% year-over-year to 48 million the fiscal first quarter. Can you talk a little bit about what you're seeing within RPO and when you would expect new business trends to improve?

**GARY BURNISON:** Well, I think one of the broader trends that's happening and what I really consider to be a multi-quarter cyclical reset is what I would call labor hoarding. And it wasn't that long ago. 3 and 1/2 years ago when companies had to take pretty drastic measures given what was happening with COVID.

Then you had this incredible uplift in demand almost overnight. You had the great resignation. And you saw people switching jobs getting 20% 25% salary bumps. And there was really a mad dash for talent.

And I think that many CEOs have been reluctant to take drastic action on their workforce. And one of the hardest positions to recruit during the great resignation was actually recruiters. And so companies built up fairly robust HR staff.

And I think what you're seeing now is insourcing, which is something that I haven't seen. I think this is my 86th earnings call. And you typically don't see that at this point in a cycle.

And I would call it labor hoarding. And so that's definitely impacted our RPO business. And when you look at new business, it does tend to be very, very lumpy.

So the last couple of years, we've done about \$600 million or so in new business in each of those years. And the first quarter, we did like 50 here. I would expect the second quarter, that number will be substantially higher. Maybe you 100 to 150.

Now would I expect new business to be 600 again in this year. No, I wouldn't. But would it be 525, 550? Yeah, I think that's a reasonable estimate.

And look, the pipeline as Tiffaney said looks very, very good. The backlog looks good. But clearly, insourcing and labor hoarding is absolutely having an impact on that RPO business. No question about it.

[INTERPOSING VOICES]

**BOB CASEY:** Hey, George. It's Bob. Just to wane a little bit. If you notice when we talk about new business, we always do it without RPO because of the choppiness that we see in that business.

So you can't really look at one quarter in isolation and say that new business is up or down. I think you have to look at it over some time horizon. In fact, if you go back last year in FY23, it was like 150 million. In Q1, it was 290. In Q2, it was 44. In Q3 and 115 in Q4.

So you don't see the smooth linear pattern in RPO that perhaps you do in the other businesses.

So you just have to keep that in mind as you think about the RPO new business. And as Gary said, we feel very, very good about the pipeline and the strength of that pipeline.

**GEORGE TONG:** Very helpful. Thank you.

**GREG BUTTON:** Your next question comes from the line of Mark Marccone from Baird. Please go ahead.

**MARK MARCONE:** Hey, good afternoon. I was wondering, Gary, you talked a little bit about this reset and lasting a few quarters and particularly getting used to the higher for longer interest rates. Aside from the labor hoarding that you're observing, what other factors are you thinking about?

And you mentioned that you might be able to take advantage of some of those. What are you thinking about from that perspective?



**GARY BURNISON:** Well, I think our consulting business is perfectly positioned to take advantage of-- companies are going to continue to execute, I think, a strategy that somewhat mirrors ours. I think you have to optimize what you have.

You have to innovate or you have to consolidate. And when I look at some of the new wins in the consulting business, they're absolutely around companies optimizing and reorganizing and restructuring. We haven't seen the impact of a higher cost of carry, of higher interest rates really.

I mean, we've seen a little bit of it. And the level of consumer savings that they had at least in the United States has been-- that's lasted way longer than what people would have thought six quarters ago.

But I think that companies are absolutely-- you can only shrink the packaging and raise the pricing so much. And what we're starting to see and particularly the consulting business is organizations and governments turning to us on how they can rethink their organizational structure, their people, their talent, all of that. So I think that's a great opportunity for us.

And to continue to use the digital platform as well that we have to drive change within organizations.

**MARK MARCONE:** Great. And I mean, you have a lot of high-level discussions. I mean, when you're talking to some of the business leaders at some of your marquee accounts, I mean, what is your sense for how they're thinking about how long this is going to last?

**GARY BURNISON:** Well, it varies. Some are more optimistic than others. And I think it does depend what geography this summer I was in parts of the world where things are just going all out and very, very robust.

And there's others where they have a more pessimistic mood. But you look, you step back. And the reality is over two to three decades, much of the world has been used to cheap money and low interest rates.

That is being reset. And it's being reset to, I think, a more historical norm. And companies are going to have to adapt to that environment. I really don't see that changing over the next few quarters.

For us and for the business that we're in, not only on the consulting side. But look, the labor force really hasn't grown. And if you look out longer-term, there's real demographic challenges that most Western economies have.

And I think that's extraordinarily positive for our business. And I think the concept around flexibility and work and people living longer and wanting to contribute, I look at the interim business and say, that should be \$1 billion business for Korn Ferry. And that's what we're going to continue to adjust to invest in that market, particularly around skill positions, technologists, finance, and accounting supply chain.

That's a big market opportunity for us. I personally think that this is multi-quarter. I think that this environment that we're in now barring some disaster. I think we're in this for a little bit here.

**MARK MARCONE:** Agreed. Gary, with regards to the interim business, you gave us the total revenue numbers. What was the organic growth within silo and the different components that you've bought? What are you seeing in terms of organic growth with regards to that business?

**GARY BURNISON:** Let me just go to new business, OK? So I'll just take the trailing. Let's take trailing four months. New business, not revenue.

I would say that same-store sales new business in interim is down about 6% or so. In actual dollars, it would be down 2%. So same-store sales organics down about 6%.

**MARK MARCONE:** Actually, pretty good considering the environment. Is it getting a little bit worse by month or has it been holding steady?

**GARY BURNISON:** No. Yeah. No, it's steady. I mean, it's exactly the executive search business. I take trailing four months.

And it's about the same. It's down 13%, 14%. This is new business. Not revenue.

And consulting, by the way, is up 14% trailing four months. So the strategy is absolutely bearing out.

**MARK MARCONE:** Great. Can you talk a little about—

[INTERPOSING VOICES]

**BOB CASEY:** Hey, Mark. The only thing I would add to that is when you look at the interim businesses, we're feeling more in the similar to what's happening in the industry in the IT vertical than in the executive or F&A areas in that business.

**MARK MARCONE:** But the IT is a little bit softer, Bob?

**BOB CASEY:** Yeah, that's the area that's where we're feeling the predominant decline.

**MARK MARCONE:** Yeah. And then with regards to executive search, was fairly resilient. There's lots of reports about Germany going into recession. The UK is having issues. What would you explain the resilience in EMEA on a constant currency basis? What's driving that?

And then can you also drill down a little bit on the margins? Because the margins did decline significantly in that portion of the business despite revenue being relatively resilient.

**GARY BURNISON:** I'll let Bob comment on the margins. I do have good line of sight into it because I was there for quite some time. There are parts of EMEA that you could probably guess that are growing extraordinarily well.

Then there are other parts such as the country. You mentioned that it's not quite the case. I think number 1, you have to look at our global marquee and regional account strategy. And I think that is working globally.

And it's certainly working in EMEA. And I think the investment that we've made in how we've positioned the portfolio there has turned out to be exactly right. We have world-class people.

The cross-referral rates are very, very healthy. So I think it's a combination of all of those. But you're right.

I mean, look, it's not one size does not fit all. And there are a couple of countries that are more challenged certainly than others. But, again, you just step back and you look at this and you say, labor markets have not grown.

There continues to be despite-- I talk about look at labor hoarding. There continues to be skill shortages. And there's going to be demographic shortages, too.

So I'd point to those factors for the EMA growth. And then Bob on the margins.

**BOB CASEY:** Yeah, I would say, Mark, on the margin side, one of the things we've talked about over the past couple of calls is workforce rebalancing. And so one of the things we're doing very consistently nowadays is taking a look at our workforce, where are the opportunities, where do we have capacity, and readjusting the staffing levels accordingly.

And as I'm sure you're aware, when you do any sort of rebalancing in Europe, the cost of doing that is a bit higher than it is across the rest of the globe. So what you're seeing there is the output from us looking at the search business in Europe and going through with the workforce rebalancing.

**MARK MARCONE:** You had it. Great. And then when you think about this environment-- I don't know if this is for Gary or Bob. But when you think about the environment and thinking about it lasting for a while longer, outside of normal seasonality, do you feel like we're basing? Or do you think things could get a little bit worse and trying to get a sense for if you think that the margins that you're projecting for the current quarter that we're in are towards the bottom end of the range?

Or if there's more downside that could occur based on how you think the environment will end up shaping up.

**GARY BURNISON:** Well, look, Mark, that's a very difficult question. I think China is a huge wild card. That was a third of the world's manufacturing.

The war in Ukraine is another big wild card. And the impact on energy in EMEA with respect to that war is hard to predict. In the Middle East, how they're cutting oil production is another one.

I mean, those are really big variables to try to guess. My baseline is that we're in this now for some quarters, that there's a huge reset happening. Companies are going to have to optimize and reorganize and transform to adjust to this new reality.

There is tremendous demographic shortages. I mean, you go out long-term in the United States. And what you find is that for every person that's over 65, there's only going to be one person working.

Whereas today, it's 2 to 1. I mean, that's definitely eye-opening. And so those are huge wild cards.

And I would only say that if you look at the last few months, it certainly would appear that executive search and pro search are running about on a plateau basis. And consulting in digital have done very well. And we've got this huge opportunity around interim that's not going to go away.

**MARK MARCONE:** Great. Thanks for the answers.

**GREG BUTTON:** Your next question comes from the line of Trevor Romeo. Please go ahead.

**TREVOR ROMEO:** Hi. Thanks so much for taking the questions. Hopefully, you can hear me. I've been having some connection issues. So I apologize if I missed any of this already.

But I just wanted to ask about on the guidance, I was wondering if you could maybe kind of break down your expectations for each segment. I think your normal seasonality would indicate an uptick sequentially in Q2. So just wondering if maybe any of the segments would be further off the normal seasonal patterns than others.

**GARY BURNISON:** Bob, I'll let you do that.

**BOB CASEY:** Sure. So I think, Trevor, as Gary indicated, we're seeing the placing the exact search and pro search plateauing at this point. So as we think about the guidance, we're thinking about from a quarter sequential basis flattish for each of those businesses.

On the consulting side, Q2 is normally an up quarter for us. And we're looking at that as being slightly up from Q1. Same thing with digital.

Slightly up from, again, I'm talking sequentially up from the first quarter. And then on the interim side, that business, as well as being slightly flat to maybe down a little bit as we think about what's going on with the IT vertical.

But when you look at the midpoint of the guidance, it would suggest that we're flat with-- again, the placement portion flat towing consulting being up a bit, digital up a bit, and then interim down a little bit.

**TREVOR ROMEO:** OK, great. That was helpful. Thanks. And then just on the consulting segment, it's nice to see the solid performance in the quarter and some positive new business trends.

We just wondering if you could maybe talk about each of the business areas within consulting, what's driving the performance there, and the reception among clients.

I think we've got number one, I think, it's the environment in terms of companies that are having to adapt to this reset that I've talked about. That's definitely a big part of it, whether it's governments, whether it's the Infrastructure Act here in the United States.

That's clearly a mega trend that's driving the consulting engagements. We're seeing more and more integrated consulting engagements, not just assessment or succession, but actually across the entire solution set.

I think we have an enormous opportunity around rewards, compensation, and benefits both on consulting and digital. The data that we have is just so robust. And the opportunity to monetize that data.

We have comp data on 30 million people around the world, 30,000 companies. That's an opportunity for us for sure. And to continue both consulting and digital to monetize this IP, the assessment data that we have, we've done hundreds million assessments of people. That's another one as well.

All right. Thank you very much.

Your next question comes from the line of Tobey Sommer from Truist Securities. Please go ahead.

**TOBEY SOMMER:** Thanks. Wanted to dig into one of your responses on IT and interim. Is that weakness which predominantly-- is there for interim? Is that declining sequentially at this point or did it fall earlier in the year? And we're still having year-over-year declines on that basis.

**BOB CASEY:** Yeah, Tobey, it's Bob. I would say that well there's a couple of things in it. That you see in the interim site.

One was we had a particularly large contract that had a defined life to it. And so that clouds it a little bit because the project concluded and went away. I would say that what we're seeing in terms of the sequential activity on the IT side, the level of decline is absolutely decelerating at this point.

And I would say once we get past the Q1 to Q2 sequentially, we would expect based on everything we're seeing today to plateau as well.

**TOBEY SOMMER:** OK. Thanks. I just had a couple of more. Prior slowdowns had been followed by rapid growth. And I think we've described on this call.

This is a little bit more of a normalization reset. But we haven't had all the classic tales of a recession and a change in the labor market on the negative side. What could it look like on the other side if we as an economy here stick this soft landing and unemployment in the US doesn't really rise significantly?

**GARY BURNISON:** Well, it depends on what-- I would first go back to, well, OK, what's Korn Ferry's actual kegger. What do we look like? And I think, and Greg can correct me on these numbers, but our 10 and 20-year keggers are probably 12%, 3%, 14% all in that's both organic and inorganic.

So I think number one have to say, OK, what is this organization done historically? And is there any reason to believe in that going forward. And I think there's a whole host of reasons why this company is even better positioned today than say it was 10 years ago.

So I think you have to look at that as a baseline. And then you go from there. And we have a new business going out a new market around people that want flexibility in their life and companies that want to employ flexible labor.

And that's certainly, for us, that's a relatively new business. And in the span of 18, 20 months, we've created \$303-\$350 million business I think that could be easily \$1 billion.

The consulting business is-- I mean, the market opportunity there is multi-billion dollars. We've demonstrated that we can drive an integrated go-to-market strategy. We've got cross referrals at 25%, 30%.

We've got a global marquee regional accounts strategy that's 40%. So everything absolutely points to that baseline and more honestly. I do think that the labor market is going to continue to experience shortages. And the late concept of labor hoarding, that's for a reason.

Markets are efficient. And the truth is the United States labor market really hasn't moved tremendously over the last several years. And I think you look out further.

And you just don't see a huge number of people entering the labor force. I mean, it's going to be fairly modest.

The ability to monetize IP is still it's incredibly important for us. And that business is around \$90 million today. \$85 to \$90 million.

And we have to continue to look at that and find ways to embed our IP across all of our solutions. It's very scalable. It's incredibly profitable.

And so that's how I would look at this organization. I really think it's at the beginning of what it can be.

**TOBEY SOMMER:** OK. And this is something I struggled with. As you grow the interim business up to \$1 billion, maybe you use that as a target. What does the associated increase in your total addressable market look like?

Because I know we could look at F&A or IT. And those numbers are established and out there. But if you're going to continue to hold tight to the idea that you're going to have among the highest bill rates and a focus on that part of the market, those sizes of the TAM aren't as readily available. But you might be able to help us with that.

**GARY BURNISON:** Well, that's for sure. I mean, it's definitely more artwork for sure to try to triangulate to that. I think getting that exact percentage is very, very hard to do. But I do think we do need to stick to the upper end of that market. I think that's where we have the most revenue synergy and the ability for cross referrals and the ability to feed into global marquee and regional accounts.

We look at the total addressable market for Korn Ferry at \$250 to \$300 million. And the two big pieces of that would be number one around training, learning, development. Today for Korn Ferry, that's probably 10%, 11%, 12% of the firm.

I think we're completely undersized in what that can be. We develop over a million professionals a year. I think that's a big opportunity.

The other big part of that market would be what's generally referred to as staffing. I think we would need to stick at the very, very high end of that. So just rough numbers.



I mean, if you think that the addressable market for Korn Ferry is 250 to \$300 million, I mean, you know the market better than I. But I think that billion dollars would still be a relatively small percentage of the high end of that market for sure.

But, Tobey, we have to stick at that high end. I do not see us going down. We don't enjoy the revenue synergy and the revenue uplift.

So our view now is to stick with technology, finance and accounting, operations, supply chain, and HR. And when you look at that interim business today, it's predominantly in the United States.

And so you would also have to say Korn Ferry would need to be looking at other places in the world where there's clearly opportunity. But we're very mindful of that question and the implication and where we should really be playing there.

It's a good insight, good question. And it's certainly one that we consider pretty seriously for sure.

**TOBEY SOMMER:** Thank you. If I could sneak one last one in, I'd like you to expand on your comment about an insourcing trend impacting RPO. How do you think that will evolve? And is there evidence of recruiting, insourcing a reaction to the high, the great resignation?

And is it impacting? Or do you think it may any other aspects of your business in the market?

**GARY BURNISON:** No. We're seeing it really within our IPO. I really do think that in this great rush, this great resignation where there was this mad dash for talent, recruiters were the hardest people to recruit into organizations and companies. You've seen the stories about them I'm sure particularly in the technology for technology's companies.

And I think that organizations really staffed up for growth and scale. And I think there is clearly companies have pulled back. And rather than downsizing, for example, in the HR area as an example, not to pick on that, but rather than down sourcing.

They're taking that reduced that reduced capacity, that reduced demand and filling it internally. And that's clearly what's happened. And there's been no other change in the RPO landscape.

And so, as I said earlier, the last couple of years, we've done \$600 million of new business. As Bob pointed out, it's very, very lumpy quarter to quarter. What I expect 600 this year, no. I wouldn't expect 600.

But would I expect 525? Yeah, I would expect 525.

**TOBEY SOMMER:** Thank you very much.

**GREG BUTTON:** And, Mr. Burnison, it appears there are no further questions.

**GARY BURNISON:** OK, Greg. Everybody, thanks for taking the time. And we look forward to speaking to you over the next few days. And thanks again. Bye-bye.