Korn Ferry
Fourth Quarter and Fiscal Year End April 30, 2024, Conference Call
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Presenters
Gary Burnison, CEO
Bob Rozek, CFO
Gregg Kvochak, SVP, Business Development and Analytics
Tiffany Louder, VP, IR

Q&A Participants
George Tong - Goldman Sachs
Mark Marcon - Baird
Jack Wilson - Truist Securities
Trevor Romeo - William Blair
Karan Singhania - UBS

Operator
Ladies and gentlemen, thank you for standing by, and welcome to the Korn Ferry Fourth Quarter and Fiscal Year End April 30, 2024, Conference call.

At this time all participants are in a listen-only mode. Following the prepared remarks, we will conduct a question-and-answer session. As a reminder, this conference call is being recorded for replay purposes. We have also made available in the Investor Relations section of our website at kornferry.com, a copy of the financial presentation that we will be reviewing with you, today.

Before 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 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 soon-to-be-filed Annual Report for fiscal year 2024.

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.

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

Gary Burnison
Thanks, Leah. Good morning, good afternoon, everybody. Our team, I'm joined by Bob and Tiffany, and Gregg. They'll get into the results in more detail. But the earnings and profitability were really strong in the fourth quarter. They increased, year-over-year and sequentially. We came in with an adjusted EBITDA margin of over 16%, which is our fourth consecutive quarter of profitability improvement. And in fact, when you adjust for the mix change of us getting into a brand new business line, that has a huge market opportunity for us, Interim.

Our adjusted EBITDA margin is about 300 basis points higher than pre-pandemic levels, and the revenue is way higher compared to four years ago, probably 35%, 40% higher, for sure. You know, much has changed over the last four years, not only in how we live but also in how we relate to others and how we work.

The one thing that hasn't changed, though, is our purpose to enable people and organizations to be more than. And as the premier organizational Consulting firm in the world, we're a company that impacts the lives and careers of tens of thousands of people, across thousands of organizations; a company that continues to innovate and align our business to help our clients perform and transform; a company, Korn Ferry, that sits at the intersection of our client's business strategy, their talent to ultimately drive superior performance.

It's clear that our strategy is working. The cyclically sensitive Talent Acquisition offerings are being buoyed by growth and stability from our diversified offerings, particularly Consulting. Although that's complemented by Digital, they've both generated very, very solid performance during the year.

It all begins, though, with data: 109 million assessments we've done, 6 million professionals developed, a million people put to work, more than 10,000 success profiles, compensation information on 30 million professionals covering 30,000 organizations around the world.

And more importantly, our incredible colleagues who transformed that data into unique and scalable insights and compelling solutions for our clients. And nowhere is that more pronounced than in our marquee and regional account program, which represents 37% of our portfolio for the fiscal year.

And these accounts benefit from the breadth and depth of all things Korn Ferry, from our IP to our full suite of offerings, to the expertise of our colleagues. And to put that into perspective, today, the growth from these accounts is outpacing the rest of the company. And almost all of our marquee clients use at least three of our business lines, which is a key contributor to our success in cross line of business referrals, and we exit the year at about 26% of total fee revenue in cross-business referrals.

In everything we do, we are really striving hard to work more interdependently, more horizontally, less vertically, scaling our data insights and offerings. Our purpose, our vision, strategy, I think, really put us at the threshold of even greater opportunity, regardless of the environment, from one cycle to the next.

So with that very high level overview, I will now turn it over to Bob.

Bob Rozek
Great. Thanks, Gary, and good afternoon or good morning. We ended fiscal year '24 on a high note, generating $691 million of fee revenue in the fourth quarter, and that was at the upper end of our guidance. And more importantly, we delivered really strong earnings and profitability.

Adjusted EBITDA over $112 million at a 16.3% margin, and that margin is up nearly 300 basis points, year-over-year. Additionally, our adjusted fully diluted earnings per share were $1.26, and GAAP fully diluted earnings per share were $1.24.

As Gary indicated, the fourth quarter marked a full year of quarter sequential margin expansion. And it really highlights our strong cost management and improvement in our consultant and execution staff productivity.

Overall, fiscal '24 was another example of the success of our long-term diversification strategy and, really, a clear demonstration of the relevancy of our solutions.

Additionally, our growing earnings power in today's environment, which is pretty challenging, also demonstrates the resilience of our business model and the diligent execution of our strategy by all of our colleagues.

Now let's take a step back and look at the pieces that really help shaped the year. One of our key growth drivers, marquee and regional accounts, which represents over $1 billion, or 37% of our FY '24 total fee revenue, grew 3%, even though our overall business was down 3% for the full year, year-over-year.

These accounts include many of our largest clients, with several accounts exceeding $10 million in annual fee revenue. And those are the accounts or clients that are consuming multiple lines of our business. Two of our less cyclical segments, Consulting and Digital, both reached all-time highs in fee revenue for all of fiscal '24, underscoring both relevance and durability of their solution sets.

Additionally, our full-year average bill rate for Consulting increased 11%, year-over-year, and we exited the year at $437 per hour.

Now across the business, consultant and execution staff productivity continues to improve. Our productivity in the fourth quarter, measured by fee revenue per headcount, was up 31% versus the third quarter of FY '20, which is the quarter right before the pandemic hit. And finally, fee revenue generated by cross-line of business referrals was about 25% of total fee revenue in FY '24, and it grew, sequentially, in both Q3 and Q4. And as Gary mentioned, we exited the year at about 26%.

All of these are important factors that help drive stability in our fee revenue, despite the cyclical moderation in the Talent Acquisition market, and they were also key factors in driving the improvement in our earnings and profitability, throughout fiscal year '24.

Last, I'd like to provide an update on our capital deployment. Return of capital to shareholders has been a priority for Korn Ferry. And in fiscal '24, we returned $107 million to shareholders, through dividends and share repurchases.

In the fourth quarter, we repurchased approximately $23 million worth of stock, about 365,000 shares, brought our total share repurchases for FY '24 to about 930,000 shares.

In addition to the 83% increase in our dividend earlier this year, our Board has just approved another increase in our dividend of $0.04 per share; it's about a 12% increase. And that brings our quarterly dividend to $0.37 per share, which is actually double what it was at the beginning of the year. All of our capital allocation initiatives really speak to the confidence we have in the outlook for our business and our future earnings power.

Now I'm going to turn it over to Gregg, who will take you through some overall company financial highlights.

Gregg Kvochak
Okay. Thanks, Bob. Fee revenue in the fourth quarter grew to $691 million with a seasonally strong and stable demand for Consulting and Digital, complementing seasonally strong and stabilizing revenue for our Permanent Placement Talent Acquisition solutions.

By the line of business, Consulting fee revenue grew 4% year-over-year, Digital was flat and fee revenue for our Talent Acquisition solutions of Executive Search, Professional Search, and Interim and RPO combined were down 10% year-over-year but up 1%, sequentially.

Within Talent Acquisition, Executive Search was down 6% year-over-year and flat, sequentially. The Permanent Placement portion of PSI was down 10% year-over-year and up 7%, sequentially. RPO was down 10% year-over-year and up 10%, sequentially, while the Interim portion of PSI was down 18% year-over-year but down only 8%, sequentially.

Consolidated new business in the fourth quarter, excluding RPO, was down 2%, year-over-year, at constant currency.

Like fee revenue, stable new business growth in Consulting, Digital, and Executive Search was offset by slower demand for Professional Search and Interim solutions. At constant currency, Consulting new business was flat, year-over-year; Digital was up 4%; Executive Search was up 1%; and Professional Search and Interim was down 12%, with Permanent Placement stable and essentially flat, year-over-year, and Interim of 14%. For RPO, new business in the fourth quarter was strong at $128 million, which includes $61 million of renewals and extensions and $67 million of new logo wins.

As Bob said, earnings and profitability were higher in the fourth quarter, driven by strong cost control and greater consultant and execution staff productivity, across all lines of business.

Adjusted EBITDA in the fourth quarter grew $14 million or 15%, year-over-year, and was up $111 million or 10%, sequentially, to over $112 million. Adjusted EBITDA margin grew to 16.3% in the fourth quarter and has now improved, sequentially, for four consecutive quarters.

Adjusted fully diluted earnings per share in the fourth quarter were $1.26, up $0.25, or 25% year-over-year, and up 18%, sequentially. Fully diluted earnings per share, measured by GAAP, were $1.24 in the fourth quarter. The fourth quarter was positively impacted by a lower tax rate of 24.6%, which benefited both adjusted and GAAP fully diluted earnings per share by approximately $0.04 to $0.05.

Our investable cash position at the end of the fourth quarter grew $110 million, sequentially, to $606 million.

Our capital allocation continues to be balanced. For all of fiscal '24, we deployed $172 million of cash, investing $47 million in capital expenditures, using $19 million for debt service and returning $107 million to shareholders in combined dividends and share repurchases.

With that, I'll turn the call over to Tiffany to review our operating segments in more detail.

Tiffany Louder

Thanks, Gregg. Starting with KF Digital, global fee revenue in the fourth quarter was $91 million, which was flat, year-over-year, at actual rates and up 1% at constant currency. Digital subscription and license fee revenue in the fourth quarter was $33 million, which was approximately 36% of fee revenue for the quarter and up 3%, year-over-year. Global new business for KF Digital was $104 million, with $39 million, or 37% of the total, tied to subscription and license sales. The overall pipeline for Digital remains strong as we head into the next fiscal year.

For Consulting, fee revenue in the fourth quarter was $182 million, which was up approximately 4%, year-over-year, at actual rate and up 5% at constant currency and an all-time high for the segment. Fee revenue growth was strongest in assessment and succession, which increased 10%, year-over-year. Consulting's average hourly bill rate remained in line with the previous quarter and is up, $47 an hour, or 12% from one year ago.

Adjusted EBITDA margins continue to improve, increasing 110 basis points, sequentially, and by 380 basis points, year-over-year, driven by a mix of higher billing rates and increased utilization rates. Additionally, global new business for Consulting in the fourth quarter was essentially flat, year-over-year, and strongest in North America with 5% growth.

Total fee revenue in Professional Search & Interim in the fourth quarter was $129 million, down $23 million, or 15% year-over-year. Breaking down the quarter, year-over-year softness in fee revenue was driven by an industry-wide slowdown in the Interim business.

Interim fee revenue was $73 million for the quarter, which was down $16.5 million, or 18% year-over-year, and down 11% when excluding a one-time client engagement winddown. Despite the slowdown in demand, Interim's average hourly bill rate has increased to $129 per hour, which is up $5 an hour, or 4% from one year ago, reflective of the added value of being part of the broader Korn Ferry ecosystem.

Professional Search and Permanent Placement fee revenue of $56 million was down $7 million, or 11% year-over-year, but was up $4 million for about 8%, sequentially. Also, Professional Search Consultant productivity is up, both year-over-year and sequentially, to approximately 670,000, annualized. New business for the combined segment during the quarter was down 12% year-over-year but essentially flat, sequentially.

Moving on to Recruitment Process Outsourcing, new business for the fourth quarter was $128 million, comprised of $67 million of new logos and $61 million of renewals and extensions. Fee revenue in the fourth quarter totaled $89 million, which was down $111 million, or 10% year-over-year, at actual rates and at constant currency but up $8 million or 10%, sequentially.

Fee revenue was impacted by a moderation in hiring volume within the existing base of contracts, as well as recruiter labor hoarding conditions, which have continued in the market.

Although the timing of new business can be lumpy, we believe RPO is well-positioned to benefit when client hiring returns to more normalized levels. The pipeline remains strong as RPO continues to renew existing clients and win new business with a differentiated service offering in the marketplace.

Finally, global fee revenue for Executive Search in the fourth quarter was $199 million, down 7% at actual and 6% at constant currency. Global demand for Executive Search has been stable with each of the last four quarters of fee revenue near $200 million.

Additionally, Consulting productivity continues to improve, contributing to a higher EBITDA, almost $46 million, and an adjusted EBITDA margin of 22.9%.

I will now turn the call back over to Bob to discuss our outlook for the first quarter of fiscal '25.

Bob Rozek
It's great. Thanks, Tiffany. In recent months, new business growth trends have continued to be a little bit choppy. In the fourth quarter, new business improved each consecutive month starting in February and concluding with April up 4% year-over-year, which kind of brought the full quarter essentially in line with our expectations.

Starting fiscal year '25, May new business was also essentially in line with our expectations. Assuming normal historical seasonal patterns, we fully expect new business in June to grow, sequentially, and for July to be essentially flat to slightly down with June.

Additionally, in line with normal seasonality, we're expecting both Consulting and Digital, the growth for Q1 to be down sequentially but to remain stable, measured year-over-year. And for our Talent Acquisition services, we expect the normal Q4 to Q1 seasonality, given what we're seeing in the current market conditions, today.

Now assuming no further changes in worldwide geopolitical conditions, economic conditions, financial markets, foreign exchange rates, we expect fee revenue in the first quarter of fiscal '25 to range from $655 million to $675 million.

Our adjusted EBITDA margin to remain approximately 15.8% to 16.2%, and our consolidated adjusted diluted earnings per share to range from $1.07 to $1.17. And finally, our GAAP diluted earnings per share to range from $1.05 to $1.15.

Now, in closing, we continue to focus on the execution of our strategy which, obviously, is becoming the preeminent organizational Consulting firm. We have a tremendous opportunity ahead and are going to continue to drive initiatives that will generate growth.

First, continuing to focus our go-to-market and our marquee and regional accounts, really looking to drive more clients at scale. Continuing to drive top line synergies with our crossline of business referrals. We recently enhanced and expanded the incentives.

We're going to continue to capitalize on both our core and integrated solutions, how relevant they are in today's world. Continue to execute our initiatives to drive growth for Digital, including the creation of one delivery platform to improve client consumption and consultant execution efficiency and with a continued focus on large subscription and license deals.

As Gary mentioned, we want to maximize unique, client-specific insights that we're able to draw from our rich repository of data. And last, developing what we call the next level of one Korn Ferry consultants. These are fee earners who are skilled at bringing all of our firm's resources to help our client, solve their most pressing human capital needs.

You know, the world that we live in today is full of contradicting uncertainties and challenges. As a management team, we are relentlessly focused on influencing what we can control, including balancing the maintenance of our cost-based and productivity to maintain our profitability, while making appropriately timed investments to position the firm for long-term growth.

As I always say, we're at the beginning of what's going to be a very long ballgame, and I truly believe our best is yet to come.

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

Operator
Ladies and gentlemen. If you would like to ask a question, you may press "1" and "0" on your telephone keypad. You will hear indication that your line has been placed in queue. If your question has been answered before we get to you, you may remove yourself from queue by pressing "*", "0", once again. Once again, to queue for a question, it is "1" then "0" on your telephone keypad.

One moment, please.

We go to the line of George Tong with Goldman Sachs. Please go ahead.

George Tong
Hi, thanks. Good morning. You talked about cyclical moderation in the Talent Acquisition market. Can you elaborate on trends that you're seeing in your cyclically sensitive businesses?

Gary Burnison
I would say that it's been--the good news in what we shared in the last quarterly call, was that we would expect that RPO would see some improvement, which it did. And as you know, depending on what part of employment services you're talking about, comparables could be down anywhere from 8% or 9% to 28%.

Clearly, what we've seen over the last several months is definitely stabilization, some improvement in RPO. And also as we talked about last quarter, we thought we would see some improvement in perm, in professional recruiting.

So what you've seen is our Professional Search business up, sequentially. Executive Search is essentially flat the last several months. RPO, although down year-over-year, it was--it's definitely improved. And new business has been flat, sequentially. And the other thing we talked about with the RPO business is we thought we would see a shift more towards new logos, and that actually materialized in the quarter.

George Tong
That's helpful context. And then with respect to profitability, you delivered over 16% EBITDA margins in the quarter which, meaningfully, outperformed your guidance. Can you talk about what drove the outperformance versus your initial expectations and how sustainable these margins are?

Gary Burnison
Well, how sustainable depends on the economic environment that we're handed. We've guided for this next quarter at the midpoint. We think revenue, we're guiding down 5%, 6% year-over-year, midpoint of the guide, and we're guiding to a 16% EBITDA margin at that revenue level.

One of the things we're really proud of is the fact that the revenue is up 35% to 40%, since the pandemic. That was an all-time high, by the way, pre-pandemic revenue levels was an all-time high for Korn Ferry at that point, and our revenue now is 35%, 40% higher.

And our profitability, once you adjust for the mix change, getting into a bigger market of Interim is up 300 basis points. So at this level of revenue, it's certainly sustainable. And at the same time, we're investing and returning cash to shareholders. As Bob said, we doubled, we've doubled the dividend now over the last year, and we continue to, systematically, repurchase stock.

George Tong
Got it. Very helpful. Thank you.

Operator
Next, we go to the line of Mark Marcon with Baird. Please go ahead.

Mark Marcon
Hi, Gary, Bob, Gregg, Tiffany. Hey, congrats on a really nice margin performance and sustaining the profitability. One, I'm going to take George's question, but flip it around a little bit. So you're able to do these margins, while revenue is still kind of choppy, the outlook is still kind of choppy. How should we think about the margins when things eventually end up being a little bit more stable?

Gregg Kvochak

Well, stable is a relative term. I mean, I think if there are economic tailwinds, you're going to see a couple of hundred basis points of margin improvement for sure. And that's kind of what, that's been our kind of long-term guide. We think in this kind of environment where most economies are still producing jobs, that we can comfortably operate the firm at 15.5%, 16% EBITDA margins, and we're guiding towards the higher end of that for this next quarter, Mark.

Mark Marcon
Great. And then you've had a lot of success with regards to changing the incentives, and it's been something, Gary, that you worked a long time on in terms of getting the cross-selling motion up. When you think about where we are today relative to your aspirations for two to five years from now, in terms of that cross-selling motion, what inning are we in? How much better can we become, do you think?

Gary Burnison
I think we're like in the second inning. I mean, we're not crawling anymore, but we're not running. We've just started to walk. I think we could do a lot, lot more. We have to think much more horizontally.

You know, the interesting thing is, when we first met, Mark and at that point, when we got into this leadership business, we were doing engagement sizes of $5,000 or $6,000. I mean, the interesting thing now is the pivot toward transformational Consulting engagements.

I mean, probably 40% of our new business, this year, are million-dollar engagements. So, what comes with that is definitely more stability, the ability to leverage, to deploy leverage, having real impact on clients. But I'll tell you, we're at the beginning--and we have to move from cross-referrals to more integrated solutions. But I just think, I look at some of the work we're doing, and it's definitely the beginning. I mean, the Consulting and Digital businesses have clearly been a huge, huge differentiator for Korn Ferry.

So, yeah, I think we can do more. That cross-referral percentage, could that be 35%? Yeah, it could be 35%, for sure. But we have to continue to innovate in terms of the solution sets and continue to modify how we reward our colleagues.

Bob Rozek
Hey, Mark, it's Bob. Just add maybe a little bit more context in that. So if you look at the Consulting new business in FY '24 for the full year versus FY '23 engagements that are kind of close to or above $1 million, those were up 36%, year-over-year. So you can see the strategy clearly working in terms of the push towards no more point solution,, but really selling integrated solutions that help solve clients' human capital needs.

Mark Marcon
Great. And then on Professional Search & Interim--and then I'll jump back in the queue--but on Professional Search & Interim, for everybody who follows the space, it's been a tough market.

And particularly on the Interim side, we've been seeing declines, across the board. I'm wondering, do you think on the Interim side that things are stabilizing and how would you characterize the differences between your various Interim businesses, and so what they're seeing from a top line perspective?

But yet, you're able to maintain and improve the margins, which is pretty amazing. What are you doing to get the margins up while the revenue is declining as much as it is ,and it's doing the same thing for everybody? And then as a follow-up to that, how--given the current economic environment, how does that impact your desire in the short term to make investments in the Interim or Permanent?

Gary Burnison
We would continue to make investments in Interim. We made a conscious decision about almost a year ago that we were going to modify the--where we were placing emphasis on our Professional Search business. And so, if you were to look at the data on the number of consultants we have in that business, you would find that it's down, significantly. And we made portfolio switches and we said, okay, let's go to this industry versus that industry. That was absolutely a conscious decision that we made, and that's paid off.

The interesting thing about--the temp penetration rate now is 1.7%; the 25-year average is 1.86%. I think the next three to five years are going to--I think there's going to be major talent issues. It's so-called Peak 65 where, over the next four to five years, kind of the last of the baby boomers are retiring or should be retiring, statistically.

And you could lose 4 million people a year in the United States, alone, or maybe it's higher. The economy right now is producing about 1.8 million jobs at this run rate. So there is really some imbalances when you look out three, four, five years, that could bode very, very well.

Your question around the Interim we saw, at first, a decline in technology, Interim, we've got definitely stabilized. Then over the more recent months, we saw a decline in finance, in accounting.

The temp penetration rate, it's been falling for 27 months and counting. Generally, when you see a fall in temp employment, it generally means that it's going to have an impact on the labor market.

And you just look back, historically, and those lag times have definitely become longer. Assuming there is not some major event, I'm not so sure that this is going to turn upside down. I just think there is tremendous demographic pressure on the other end here. And I think it's the case for not only the United States but some other countries.

We would absolutely, we are going to make investments in the Interim business, for sure. We've seen the power of the Korn Ferry brand and the number of cross-referrals we've had. It's a much, much, much bigger market opportunity. Clearly, the margin profile is different. We're going to stay towards the higher end, this quarter. We did--the average rate was like $129 an hour. We're going to--we're for sure going to stay at the upper end, but it's--there's more market opportunity there for Korn Ferry.

Bob Rozek
Hey, Mark, it's Bob. I can touch on the--you asked the question about how you--we make those businesses profitable, and we talked about this in the past. So, we have an incredible integration playbook. When you look at these companies, when we buy them, they're adjusted EBITDA somewhere around 8%. And we built a company that's plug-and-play, so we have common systems, common processes, common controls, across the globe.

And a lot of these businesses we buy, they're underinvested, maybe not as well managed. And we just literally pick them up and plug them into our systems in our processes. And so by doing that, it allows us to bring the EBITDA margin up into the kind of 12%, 13%, 14% range relatively quickly. And then as the go-to-market activity becomes more and more integrated and we start to see the referral activity elevate the top line, that's when you really see the juice happening.

Mark Marcon
That's great. Thank you very much. Appreciate it.

Operator
Next, we have a question from Tobey Sommer with Truist Securities. Please go ahead.

Jack Wilson
Yeah, good morning. This is Jack Wilson on for Tobey. Maybe just to start out, so that continued momentum in new business in Digital, is that a product of sort of a change in the market or a change in what you're doing? Could we just dig into that a little bit?

Gary Burnison
Well, some of it can be lumpy for sure, so I wouldn't read too much into that. The thing that we would hope is that this tremendous IP that we have, that we could really monetize it. I mean, it's not a small business today, $360 million. It's the most profitable part of Korn Ferry. You can really impact a client organization. You can change thousands of people's lives.

So, it is one that we strongly believe in. It is one where we are trying to get the entire firm to push those offerings to solve client problems. The offerings are largely centered around an organization's, what they do around professional development and learning, which is one of the biggest markets that we could go after.

It's anchored around compensation, how organizations compensate people. And it's anchored around a company's sales force. How do they improve their sales effectiveness? But it's also, we've got legacy products, Digital offerings as well, around, say, assessment org design, how you set up an organization.

People can license our intellectual property to do spans and layers and the whole thing. So it is one that we do believe in. We are working very hard to get the entire Korn Ferry to be in the market with those Digital solutions.

We are working quite heavily on a platform, and we are also working to create a better ecosystem of partners. Because if you look at, for example, the big four consulting firms, they enjoy an ecosystem of partners that bring them hundreds of millions of dollars of revenue a year.

And we sit here and look at our intellectual property of 109 million assessments, 30 million comp data on 30 million people and we say, why not us? We think it can be a huge differentiator. And we continue to work hard on creating an ecosystem with partners that could make our journey up the next mountain easier.

Bob Rozek
And Jack, this is Bob, just one other point I would make on that. As you think about the Digital business going forward, Gary had mentioned, I had mentioned earlier in Consulting, selling larger engagements, and the same thing is happening in Digital, where we're now selling $3 million, $4 million, $5 million deals that span multiple years.

And so Gary mentioned you might see some choppiness because you could get three or four of those in the quarter, and then the next quarter you might get five or six. So, it's kind of like what you see with RPO. RPO signs a huge contract in one quarter, and you'll see the new business spike up.

But to me, the key there is that we are selling larger multi-year deals, $3 million, $4 million, $5 million deals, versus point solutions. And so as you think about that going forward, that will influence what we report as new business, as well.

Gary Burnison
Yeah, and I think Bob, too, the other thing is that that intellectual property, that chassis, if you will, of our Digital capabilities, actually fuels a good part of our RPO business and a good part of our Consulting business. And in fact, we use that same IP for the recruiting businesses.

Bob Rozek
That's right. It permeates everything we do.

Gary Burnison
Yeah.

Jack Wilson
All right. And then maybe one more for me. I think you've previously spoken about using AI as more of a growth driver than, I guess, a cost reducer. Can you throw some more color on sort of--are there any specific business lines you see that as a key driver?

Gary Burnison
Nobody knows where this thing is going. We are very concerned about the ethical ramifications. We've developed 6 million people over the last few years. We put somebody in a new job, every three minutes. We use IP all over the place, where we are spending an awful lot of time to make sure that whatever we do in the area, that we're building a moat around our data. And so we're very, very systematic there.

Yes, we are using it in some of the coaching, some of the assessment, and over time, we will look at how we can make the entire Korn Ferry more efficient. But that's not in this next quarter. Our primary concerns, right now, are where can we be disintermediated? What are the ethical issues around this? And let's use it in a couple of solution areas, that's where we are, right now.

Jack Wilson
Okay, thank you very much. I'll turn it over.

Operator
Next, we go to Trevor Romeo with William Blair. Please go ahead.

Trevor Romeo
All right. Good morning, team. Thanks so much for taking the questions. I know we've had several margin questions already, but just wanted to ask another one a bit differently, given the outperformance there. I think for most of the segments, you're running at a lower headcount than you had been kind of a year ago, that type of timeframe, yet seeing kind of much better productivity and higher bill rates for a lot of the segments.

So, I was just wondering if you could talk a bit more about which specific productivity initiatives you've implemented, recently, and which are starting to really pay off now and how much further you can improve on those productivity metrics.

Gary Burnison
Well, look, we do think there's room to go. Part of the improvement comes from clearly, technology, as Bob indicated, around platforms and the like. And I think he covered that, really well.

The other though, over time here, like take our Consulting business. So as we do more impactful multimillion-dollar engagements, the firm will see better scale and better productivity, and I think it's bearing out in the numbers.

On the Interim side, we definitely want to stay at a certain level, and I'm not going to sit there and say you're going to see gigantic productivity there. We've made some huge, huge strides over the last 15 months. So I'm not going to sit--I'm not going to say there is a long ways to go there. But I think it's a combination of our technology that we're using and the go-to-market strategy, as it relates to Consulting and Digital.

Trevor Romeo
Okay, thanks, Gary. That makes a lot of sense. And then just another one kind of on the overall demand environment, some of the green shoots that you talked about last quarter in the cyclical businesses. But maybe specific to Search, I think your revenue was kind of flattish, sequentially, maybe not quite as strong of an uptick as a few of the other competitors may have reported, recently.

Just kind of wondering if you could speak about the demand environment specific to Search, whether you're still seeing those green shoots, and whether they're stronger, weaker, or about the same as last quarter. Thanks.

Gary Burnison
I think they're about the same. I mean, what we talked about, last quarter, was that we would expect to see some uptick in Professional Search. And we said we would see an improvement in RPO, and that's absolutely happened.

You step back from all of this and we're, clearly, in the middle of a multi-quarter reset, and companies are adapting to a rate environment that is 2.5 times what it was, and people haven't seen this for 25 years. And I don't see in the near term, in the next few months, I don't really see much changing.

I think the really encouraging news though, when you look out at megatrends, is what I touched upon a little bit. Just take the United States labor force. I mean, it's not going to be too long--I think right now, 19% of the population is retired in America; that could go to 20%. At some point--for every person that's retired today, you got two workers. That's going to change. And with this Peak 65 and baby boomers, you look at it and you look at some other countries and you say, wow, there is a real demographic issue there.

And so, how do companies deal with that demographic issue? And so part of that is going to be through technology, but part of it is going to be with the kind of services that we actually deliver and that we're building our firm for.

So I look at the megatrend around demographics, and I say, that's really, really good news, again, absent some unforeseen event that could happen. So I look out and say, I think there is going to continue to be this concept of labor hoarding, but I'm more encouraged than not, longer-term on what the demographic trends mean for Korn Ferry.

Trevor Romeo
Okay, Gary. Appreciate the perspective. Thanks.

Operator
And our final question will come from Karan Singhania with UBS. Please go ahead.

Karan Singhania
Hi. Good morning. This is Karan on for Josh. So thanks for taking my question. So I had a question on Executive Search. With Executive Search seeing positive new business growth and new engagements, do you think it can return to growth in the first quarter? And if so, which regions?

Gary Burnison
No. No. No. No. This environment--we're in very, very--every company is in an incredibly difficult environment. There is a fight for growth, there is a fight for relevancy. The winners are going to be those companies that invest in two or three areas that are going to accelerate them through the turn, and that's what Korn Ferry is doing.

I think the labor market in the United States is not going to change, materially. I don't think there's going to be huge adjustments to interest rates.

Costs for most Americans have gone up 35% to 40%. Wages have not gone up that much. And so I think, realistically, if you're only looking a quarter, which is quite myopic, I think it's going to be kind of the environment that we're in. Now does that--that certainly doesn't say that we can't take market share.

When I look at the things that we're doing around the globe, we have never, ever done more high-impact assignments; ever. And so I look at that and say, wow, that is incredible, incredible news.

If there is economic tailwind, can Executive Search get on a completely different trajectory? Absolutely. Do we have the best people in the industry? Absolutely. Is there room to go? For sure. But if your question is two or three month-no. I mean, you're in the environment you're in. And great companies make their best moves in these kinds of economic climates, and that's what we're going to do.

Karan Singhania
Okay. Thats helpful. Thank you.

Operator
And speakers, that does conclude our question-and-answer session. I'll be turning the conference back to you for closing remarks.

Gary Burnison

Okay. Thank you for joining us and for taking an interest. I think we have done--the thing I'm most proud of is that when we say something, we do it. And you have an organization that has tremendous colleagues, tremendous reach around the world, and a really, really solid leadership team. We're everywhere where you want to be, in every industry, and we're building solutions that matter, particularly over the next five years.

So with that, thank you, and we'll talk to you next time.

Operator

Ladies and gentlemen, this conference call will be available for replay for one week starting today at 2:00 p.m. Eastern Time, running through June 21, 2024, at midnight. You may access the AT&T Executive playback service by dialing 866-207-1041 and entering the access code, 5486987. International participants may dial 402-970-0847. Additionally, the replay will be available for playback at the Company's website, www.kornferry.com, in the Investor Relations section.

And that does conclude your conference for today. Thank you for your participation. You may now disconnect.