KORN FERRY INTERNATIONAL
Form 10-K
June 28, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2016

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-14505

KORN/FERRY INTERNATIONAL

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-2623879**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
1900 Avenue of the Stars, Suite 2600, Los Angeles, California	**90067**

(Address of principal executive offices) **(Zip code)**

(310) 552-1834

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The number of shares outstanding of our common stock as of June 22, 2016 was 57,304,202 shares. The aggregate market value of the registrant s voting and non-voting common stock held by non-affiliates of the registrant on October 31, 2015, the last business day of the registrant s most recently completed second fiscal quarter, (assuming that the registrant s only affiliates are its officers, directors and 10% or greater stockholders) was approximately

$1,896,696,482 based upon the closing market price of $36.37 on that date of a share of common stock as reported on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for its 2016 Annual Meeting of Stockholders scheduled to be held on October 6, 2016 are incorporated by reference into Part III of this Form 10-K.

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KORN/FERRY INTERNATIONAL

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PART I.

Item 1. *Business*

About Korn Ferry

Korn/Ferry International (referred to herein as the Company, Korn Ferry, or in the first person notations we, our, ar us) is the preeminent global people and organizational advisory firm. We opened our first office in Los Angeles in 1969 and currently operate in 150 offices in 52 countries. We have the ability to deliver our solutions on a global basis, wherever our clients do business. As of April 30, 2016, we had 6,947 full-time employees, including 488 Executive Search, 562 Hay Group (formerly known as Leadership & Talent Consulting (Legacy LTC) which was combined with HG (Luxembourg) S.à.r.l (Legacy Hay Group) in December 2015), and 114 Futurestep consultants who are primarily responsible for client services. Our clients include many of the world s largest and most prestigious public and private companies, middle market and emerging growth companies, as well as government and nonprofit organizations. We have built strong client loyalty with 84% of our assignments performed during fiscal 2016 on behalf of clients for whom we had conducted assignments in the previous three fiscal years (without giving effect to Legacy Hay Group assignments). We have made significant investments in Korn Ferry Hay Group with the acquisitions PDI Ninth House and Global Novations in fiscal 2013, Pivot Leadership in fiscal 2015, and Legacy Hay Group in fiscal 2016. These acquisitions have strengthened our intellectual property, enhanced our geographical presence, added complimentary capabilities to further leverage search relationships and broadened the capabilities for assessment and development. They also improved our ability to support the global business community not only in attracting top talent and designing compensation and reward incentives, but also with an integrated approach to the entire leadership and people continuum.

We were originally formed as a California corporation in November 1969 and reincorporated as a Delaware corporation in fiscal 2000.

The Korn Ferry Opportunity

Historically, the HR industry has offered piecemeal views of people based on inconsistent processes, technologies and measurement. Korn Ferry is disrupting the traditional approach and has assembled intellectual property which we bring to market through a holistic framework that sits at the intersection of an organization s strategy and its people.

Superior performance happens when an organization establishes the conditions for success and when the right people are enabled and engaged, sitting in the right seats and are developed and rewarded. We can help operationalize a client s complete strategy or address any combination of six broad categories:

Organization Design	We establish the conditions for success by clarifying strategy; designing an operating model and organization structure that aligns to it; and defining a high performance culture. We enable strategic change by engaging and motivating people to perform.
Talent Strategy and Work Design	We map talent strategy to business strategy and help organizations put their plan into action. We make sure they have the right people, in the right roles, engaged and enabled to do the right things.

Rewards and Benefits	We help organizations align reward with strategy. We help them pay their people fairly for doing the right things with rewards they value at a cost the organization can afford.
Assessment and Succession	We provide actionable, research-backed insights that allow organizations to understand the talent they have, benchmarked against the talent they need to deliver on the business strategy. Our assessments allow leaders to make the right decisions about their people for today, and to prepare the right leaders to be ready when and where they are needed in the future.

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Executive Search and Recruitment	We integrate scientific research with our practical experience and industry-specific expertise to recruit professionals of all levels and functions at organizations across every sector.
Leadership Development	We combine expertise, science, and proven techniques with forward thinking and creativity to build leadership experiences that help entry to senior-level leaders grow and deliver superior results.

About Our Intellectual Property and Technology

Korn Ferry is increasingly a knowledge-based company with deep intellectual property (IP) and research that allow us to deliver meaningful outcomes for our clients. We understand what makes a great leader, the competencies they possess that distinguish them from others, as well as the potential shortcomings that can damage their careers as well as their organization s performance. Today, our talent data includes over 4.4 million assessments and profiles of seven million candidates. This database provides the insight and intelligence for Korn Ferry s team of social scientists to determine the true drivers of leadership and performance and how any individual or organization measures up. With the addition of Legacy Hay Group, we can now expand our solutions which incorporates IP about people with data about organizations and rewards. These solutions help to deliver on Korn Ferry s holistic framework that sits at the intersection of an organization s strategy and its people.

Our vast library of proprietary tools and techniques has been developed through research by our scientists, statisticians and IP development specialists. It underpins all of our services, giving us unique insight into how strategic talent decisions help contribute to competitive advantage and success. We continue to add more discipline and scientific research into the recruitment and talent management process, with emphasis shifting from candidate identification to candidate assessment, fit and attraction and now adding the Legacy Hay Group focus on organizations and rewards. Driving this focus is our enhanced technology, as the power of the Internet, databases and online talent communities make it possible to efficiently identify greater numbers of qualified candidates. Innovative technology, when combined with world-class intellectual property and thought leadership, creates a compelling set of tools to manage the process of identifying, assessing and recruiting the most desirable candidates.

In the fiscal year ahead, we will continue to place a strong focus on our talent intelligence engine introduced in 2015 Korn Ferry s Four Dimensions of Leadership & Talent, which harnesses all of our IP and provides organizations with robust diagnostics at both the individual and enterprise levels. We will focus on integrating the assessment and leadership development IP from Legacy Hay Group into the KF4D talent intelligence engine. We have identified four crucial areas that matter most for individual and organizational success. The analytics we collect enable us to help organizations accentuate strengths and identify areas to develop, as well as understand how they stack up against their competition:

Competencies the skills and behaviors required for success that can be observed.

Experiences assignments or roles that prepare a person for future opportunities.

Traits inclinations, aptitudes and natural tendencies a person leans toward, including personality and intellectual capacity.

Drivers values and interests that influence a person s career path, motivation, and engagement.
Korn Ferry s Four Dimensions of Leadership & Talent will serve as the assessment engine for the Company s executive search and professional recruiting processes, leadership development and consulting, and recruitment process outsourcing engagements, as well as internal hiring and leadership development efforts.

We will also begin to integrate rewards and measurement data from Legacy Hay Group into our recruiting solutions and offer to provide a unique and differentiating perspective on organizations, reward and leaders to Korn Ferry clients.

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About Our Business Segments

Korn Ferry solutions and intellectual property are delivered through the following business segments:

Executive Search: Korn Ferry Executive Search helps clients attract the best executive talent for moving their companies in the right direction. The business is managed by geographical region leaders who focus on recruiting board-level, chief executive and other senior executive positions for clients predominantly in the consumer, financial services, industrial, life sciences/healthcare provider, technology and educational/not-for-profit industries. The relationships that we develop through this business allow us to add incremental value to our clients through the delivery of our other people and organizational advisory solutions.

Our executive search services concentrate on searches for positions with annual compensation of $300,000 or more, or comparable in foreign locations, which may involve board-level, chief executive and other senior executive positions. The industry is comprised of retained and contingency recruitment firms. Retained firms, such as Korn Ferry, typically charge a fee for their services equal to approximately one-third of the first year annual compensation for the position being filled regardless of whether the position is filled. Contingency firms generally work on a non-exclusive basis and are compensated only upon successfully placing a recommended candidate.

Hay Group: Korn Ferry Hay Group helps an organization to align its people to their strategy developing, engaging, and rewarding them to reach new heights. The business segment is divided into two areas Advisory and Productized Services. Our Advisory business addresses how people work, and how to reward, develop, engage and motivate them so that strategies succeed. We deliver solutions that capitalize on the breadth of our intellectual property, service offerings and expertise to do what is right for the client. Our Productized Services business combines our proven methodology and decades of insight and packages them into a range of new tools, supporting recurring HR processes in the domains of Pay, Talent, and Engagement. Our Hay Group services are delivered by an experienced team of consultants and the richest and most comprehensive people data and insights in the world.

Futurestep: Korn Ferry Futurestep draws from Korn Ferry s four decades of recruitment experience to offer fully scalable, flexible services that help organizations attract top people while reducing expenses and time to hire. Our portfolio of services includes Recruitment Process Outsourcing (RPO), Project Recruitment, Professional Search, Talent Consulting and Talent Communications.

We file annual, quarterly and current reports, proxy statements and other documents with the Securities and Exchange Commission (the SEC), pursuant to the Securities Exchange Act of 1934 (the Exchange Act). You may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. Our reports, proxy statements and other documents filed electronically with the SEC are available at the website maintained by the SEC at *www.sec.gov*.

We also make available, free of charge on the Investor Relations portion of our website at *www.kornferry.com*, our annual, quarterly, and current reports, and, if applicable, amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC.

We also make available on the Investor Relations portion of our website at *www.kornferry.com* earnings presentation and other important information, which we encourage you to review.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics and the charters of the Audit Committee, Compensation and Personnel Committee, and Nominating and Corporate Governance Committee of our Board of Directors are also posted on our website at *http://ir.kornferry.com*. Stockholders may request copies of these documents by writing to our Corporate Secretary at 1900 Avenue of the Stars, Suite 2600, Los Angeles, California 90067.

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Industry Trends

In this competitive global economic environment, our clients are seeking new pathways to drive sustainable profitable growth. CEOs are increasingly demanding an agile workforce that can innovate and drive growth across borders. We believe Korn Ferry is uniquely positioned to help leaders and organizations succeed by releasing the full power and potential of people.

Consolidation of Talent Management Solution Providers In choosing recruitment and human resource service providers, we believe:

- Companies are actively in search of preferred providers in order to create efficiencies and consolidate vendor relationships;
- Companies that can offer a full suite of talent management solutions are becoming increasingly attractive; and
- Clients seek trusted advisors who understand their business and unique organizational culture in order to manage the multiple needs of their business on a global scale.

Skills Gaps There are not enough highly skilled people coming into the labor market to fill open jobs. Particularly at the senior management levels, the available talent pool is inadequate. New leaders must step into bigger, more complex, and more global roles faster and with less experience than their predecessors. Given this, learning agility one s ability to solve complex problems, easily adapt in a constantly changing world and drive change is more important than ever. We believe employers will increasingly seek service providers who can help them find, develop and retain highly qualified, learning agile talent that secures a competitive advantage.

Human Capital Is One of the Top CEO Challenges The people, the minds, the alliances and the culture that can create and then nurture innovative ideas are seen as central to CEOs. In fact, according to the Conference Board, human capital how best to develop, engage, manage and retain talent is the single biggest challenge facing CEOs in 2016.

Talent Analytics Companies are increasingly leveraging big data and predictive analytics to measure the influence of activities across all aspects of their business, including HR. They expect their service providers to deliver superior metrics and better ways of communicating results. Korn Ferry s go-to-market approach is increasingly focused on talent analytics. Leveraging a large set of data on talent accumulated over decades of research, we have cataloged the elements of talent and isolated the most potent facets. The result, Korn Ferry s Four Dimensions of Leadership & Talent, is the talent intelligence engine that powers many of our solutions and products. Through our combination with Legacy Hay Group, we now also possess several of the richest HR databases in the world, so our clients can benchmark salaries, performance, leadership and other HR data by industry at a global and country level.

Increased Outsourcing of Recruitment Functions More companies are focusing on core competencies and outsourcing non-core, back-office functions to providers who can provide efficient, high-quality services. Third-party providers can apply immediate and long-term approaches for improving all aspects of talent acquisition. Advantages to outsourcing part or all of the recruitment function include:

Access to a diverse and highly qualified pool of candidates, which is refreshed on a regular basis;

Reduction or elimination of the costs required to maintain and train an in-house recruiting department in a rapidly changing industry;

Ability to use the workflow methodologies we have developed over tens of thousands of assignments, which allows clients to fulfill positions on a streamlined basis;

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- Ability to quickly review millions of resumes and provide the right fit for the client;
- Access to the most updated industry and geographic market information;
- Access to cutting-edge search technology software and proprietary intellectual property; and
- Ability to maintain management focus on core strategic business issues.

Other Industry Trends In addition to the industry trends mentioned above, we believe the following factors will have a long-term positive impact on the talent management industry:

- Increasing demand for professionals with not just the right technical skills, but also the right leadership style, values and motivation to meet the specific requirements of the position and organizational culture;
- Decreasing executive management tenure and more frequent job changes;
- Retiring baby boomers, creating a skills gap in the workforce;
- Shifting balance of power towards the employee as more people take charge of their own careers, and the new norm of employee-driven development;
- Increasing importance of talent mobility in engaging and developing people within an organization;
- Increased attention on succession planning due to heightened scrutiny on CEOs, pressure to generate growth, shorter CEO tenures and the emphasis being placed on making succession planning a systemic governance process within global organizations; and
- Executive pay and governance practices under more scrutiny than ever.

Growth Strategy

Our objective is to expand our position as the preeminent global people and organizational advisory firm. In order to meet this objective, we will continue to pursue five strategic initiatives:

1. Drive an Integrated, Solutions-Based Go-to-Market Strategy

Differentiating Client Value Proposition Korn Ferry offers its clients a total approach to talent. Historically, the HR industry has offered piecemeal views of people based on inconsistent processes, technologies and measurement. Korn Ferry seeks to disrupt the traditional approach and has assembled intellectual property that we bring to market through a holistic framework that sits at the intersection of an organization s strategy and its people.

In analyzing talent management across the entire value chain, Korn Ferry has developed a robust suite of offerings and leverages our market-leading position in executive search to extend the value we bring our clients through our diversified capabilities along the rest of the talent lifecycle through our Hay Group and Futurestep businesses.

Our synergistic go-to-market strategy, utilizing all three of our business segments, is driving more integrated, scalable client relationships, while accelerating our evolution to a consultative solutions-based organization. This is evidenced by the fact that approximately 62% of our revenues come from clients that utilize multiple lines of business.

We are an increasingly diversified enterprise in the world of human capital services and products, an industry that represents an estimated $600 billion global market opportunity.

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In an effort to gain operational efficiencies and drive superior performance, we expect that multinational clients increasingly will turn to strategic partners who can manage their people and organizational advisory needs on a centralized basis. This will require vendors with a global network of offices and technological support systems to manage engagements across geographical regions. We established our Marquee Accounts program to act as a catalyst for change as we transform our Company from individual operators to an integrated talent solutions provider, in an effort to drive major global and regional strategic account development as well as to provide a framework for all of our client development activities. Today, the program consists of global colleagues from every line of business and geography. We are cascading this methodology throughout every market, country and office.

2. Deliver Unparalleled Client Excellence

World-class Intellectual Property Korn Ferry continues to scale and more deeply embed our industry-leading intellectual property within the talent management processes of our global clients.

Our IP-driven tools and services are being utilized by our clients for everything from organizational development and job profiling to selection, training, individual and team development, succession planning and more. Our subscription services that are delivered on-line are products that help us generate long-term relationships with our clients through large scale and technology-based HR programs on an annuity basis. We continue to seek ways to scale our product offering to our global clients.

Global organizations utilizing our Company s validated assessment capability are realizing the power and benefits of Korn Ferry IP in their people processes. Our assessment capability is currently utilized by more than 70% of our Executive Search clients. We have observed that candidates who utilize our on-line assessment tools stay longer with an organization and are promoted more frequently.

Our IP orientation is further expanded by our acquisitions of Legacy Hay Group, Pivot Leadership, PDI Ninth House and Global Novations. By acquiring these firms, we now offer a variety of pay, leadership development, coaching and assessment solutions for different organizational levels, as well as technology-driven talent management solutions. We possess several of the richest HR databases in the world, spanning 114 countries including reward data on 20 million professionals, engagement data on 6.0 million professionals and assessment data on 4.4 million professionals.

Technology Information technology is a critical element of all of our businesses. In fiscal 2016, we continued to invest in enhanced tools and knowledge management to gain a competitive advantage. We enhanced our technology platform to support delivery of *Korn Ferry s Four Dimensions of Leadership* (*KF4D*), our newest and most robust assessment for Executive Search, Hay Group and Futurestep. We enhanced our global SAP and Salesforce enterprise systems to support the integration of Legacy Hay Group into Korn Ferry, providing globally consistent finance, HR, business development and operations processes. We continued to invest in our IT security infrastructure in an effort to protect the Company s assets against today s cyber-security threats.

In fiscal 2016, we further enhanced our scalable intellectual property content repository, which we are leveraging across all products and services. This enables us to continue to integrate services provided across the entire Hay Group portfolio, as well as Executive Search and Futurestep, and we have continued work on a unified talent analytics layer to support Korn Ferry s strategy to address this key industry trend.

Information technology is a key driver of Futurestep s growth in RPO, project recruitment and search. Database technology and the Internet have greatly improved capabilities in identifying, targeting and reaching potential candidates. In fiscal 2016, we continued the integration of advanced, Internet-based sourcing, assessment and selection technologies into the engagement workflow. We expanded the use of *Foresight*, our data aggregation warehouse for analytical reporting of Futurestep recruiting activities across internal systems and clients   external applicant tracking systems.

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We will continue to enhance our technology in order to strengthen our relationships with clients, expand our markets through new delivery channels and maintain a competitive advantage in offering the full range of executive talent management services.

3. Extend and Elevate the Korn Ferry Brand

Next to our people, the Korn Ferry brand is the strongest asset of the Company. Since inception, Korn Ferry has always maintained an aggressive stance in building our global presence and supporting our vision and ongoing growth through a comprehensive marketing approach. At the highest level, we will continue to extend and elevate the Korn Ferry brand to raise awareness and drive higher market share within each of our lines of business.

Our leadership in executive search enables us to grow our business by increasing the number of recruitment assignments we handle for existing clients. We also believe that our strong relationships and well-recognized brand name will enable us to bring a broader base of solutions and services to our existing client base and to potential new clients, while allowing us to build communities of candidates to whom we can directly market our services.

For example, we will leverage the work our Board & CEO Services practice recently enhanced by the addition of Legacy Hay Group s Executive Pay and Governance capabilities performs at the top of our clients organizations to promote awareness of our various solutions. We believe these engagements will create trickle-down revenue opportunities across all of our lines of business and lead to the expansion of other high-level, consultative relationships within the board and CEO community.

We drive additional awareness and brand equity through a global marketing program that leverages Korn Ferry Institute-generated thought leadership (whitepapers, bylined articles, and our award-winning *Briefings* periodical), aggressive media relations, social media, a sophisticated demand generation platform and other vehicles that include sponsorships, speaking opportunities, advertising and events.

4. Advance Korn Ferry as a Premier Career Destination

As our business strategy evolves, so should our talent strategy in order to drive the growth we need and the culture we want, at a pace we can absorb. Our talent strategy is what allows us to build and attract the best talent for ourselves (and, by extension, for our clients) to achieve our business potential.

Our goal is to become the premier career destination for top talent through offering a client-focused culture, promotional/developmental opportunities and compensation that aligns employee behavior to corporate strategy.

In fiscal 2017, we will launch a new professional development program called *Reimagine* for our consultants and client-facing practitioners to train them on our strategy, our various solutions and a systematic approach for broadening the conversations, and subsequently, the relationships with our clients. Additional initiatives include aligning workforce and leadership competencies to our strategy, enhancing performance practices, continuing to develop succession slates across the Company, and evolving our rewards system.

5. Pursue Transformational Opportunities Along the Broad Human Resources Spectrum

We have an unrivaled ability to address the entire talent continuum, delivering solutions and products in the following areas:

Strategy Execution and Organization Design

Talent Strategy and Work Design

Rewards and Benefits

Assessment and Succession

Executive Search and Recruitment

Leadership Development

We will continue to internally develop and add new products and services that our clients demand while pursuing a disciplined acquisition strategy. We have developed a core competency in the identification, acquisition and integration of M&A targets that play a significant role in the attainment of our strategic objectives. As we look forward, we will continue building Korn Ferry as the leading authority on driving business performance through people. Our disciplined approach to M&A will continue to play a vital role in this journey.

Our Services and Organization

Organization

The Company operates in three global business segments: Executive Search, Hay Group, and Futurestep. Our executive search business is managed on a geographic basis throughout our four regions: North America, Europe, the Middle East and Africa (EMEA), Asia Pacific and Latin America. Hay Group and Futurestep are managed on a global basis with operations in North America, Europe, Asia Pacific and Latin America.

We address the people and organizational advisory needs of our clients through our three business segments:

Executive Search

Overview Korn Ferry Executive Search helps clients attract the best executive talent for moving their companies in the right direction. Our services are typically used to fill executive-level positions, such as board directors, chief executive officers, chief financial officers, chief operating officers, chief information officers and other senior executive officers. As part of being retained by a client to conduct a search, we assemble a team comprised of consultants with appropriate geographic, industry and functional expertise. Our search consultants serve as management advisors who work closely with the client in identifying, assessing and placing qualified candidates. In fiscal 2016, we executed 8,375 executive search assignments.

We utilize a standardized approach to placing talent that integrates research based IP with our practical experience. Providing a more complete view of the candidate than is otherwise possible, we believe our proprietary tools generate better results in attracting the right person for the position.

We emphasize a close working relationship with the client and a comprehensive understanding of the client s business issues, strategy and culture. The search team consults with its established network of resources and searches our databases containing profiles of approximately five million executives to assist in identifying individuals with the right background, cultural fit and abilities. Through this process, an original list of candidates is carefully screened through phone interviews, video conferences and in-person meetings. Client and candidates complete *Korn Ferry s Four Dimensional Executive Assessment*. Launched in fiscal 2015 and powered by Korn Ferry s Four Dimensions of Leadership & Talent, this tool gives clients insights about each candidate s competencies, personality traits, drivers, and past experiences that are aligned to the role. We conduct due diligence and background verification of the candidates throughout this process, at times with the assistance of an independent third party. Beginning in fiscal 2017, we will offer Hay Group s industry standard job grading, job description and salary benchmark methodologies in the executive search process.

Industry Specialization Consultants in our five global markets and one regional specialty practice groups bring an in-depth understanding of the market conditions and strategic management issues faced by clients within their specific industry and geography. We are continually looking to expand our specialized expertise through internal development and strategic hiring in targeted growth areas.

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Percentage of Fiscal 2016 Assignments Opened by Industry Specialization

Global Markets:	
Industrial	26%
Life Sciences/Healthcare Provider	20%
Financial Services	19%
Consumer	17%
Technology	12%
Regional Specialties (United States):	
Education/Not-for-Profit	6%

Functional Expertise We have organized executive search centers of functional expertise, composed of consultants who have extensive backgrounds in placing executives in certain functions, such as board directors, CEOs and other senior executive officers. Our Board & CEO Services group, for example, focuses exclusively on placing CEOs and board directors in organizations around the world. This is a dedicated team from the most senior ranks of the Company. Their work is with CEOs and in the board room, and their expertise is organizational leadership and governance. They conduct hundreds of engagements every year, tapping talent from every corner of the globe. This work spans all ranges of organizational scale and purpose. Members of functional groups are located throughout our regions and across our industry groups.

Percentage of Fiscal 2016 Assignments Opened by Functional Expertise

Board Level/CEO/CFO/Senior Executive and General Management	73%
Finance and Control	9%
Marketing and Sales	5%
Human Resources and Administration	5%
Manufacturing/Engineering/Research and Development/Technology	4%
Information Systems	4%

Regions

North America We currently have 23 offices throughout the United States and Canada. In fiscal 2016, the region generated fee revenue of $371.4 million and opened 2,508 new engagements with an average of 222 consultants.

EMEA We currently have 18 offices in 16 countries throughout the region. In fiscal 2016, the region generated fee revenue of $144.3 million and opened 1,569 new engagements with an average of 130 consultants.

Asia Pacific We currently have 19 offices in 10 countries throughout the region. In fiscal 2016, the region generated fee revenue of $80.5 million and opened 983 new engagements with an average of 90 consultants.

Latin America We currently operate a network of 11 offices in 8 countries covering the entire Latin American region. The region generated fee revenue of $26.7 million in fiscal 2016 and opened 457 new engagements with an average of 28 consultants. In the fourth quarter of fiscal 2016, we obtained control of our Mexico subsidiary and began to consolidate the operations.

Client Base Our 5,575 clients include many of the world s largest and most prestigious public and private companies, and 54% of FORTUNE 500 companies were clients in fiscal 2016. In fiscal 2016, only two clients represented more than 1% of fee revenue, with those clients representing a combined 2.6% of fee revenue.

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Competition Other multinational executive search firms include Egon Zehnder International, Heidrick & Struggles International, Inc., Russell Reynolds Associates and Spencer Stuart. Although these firms are our largest competitors in executive search, we also compete with smaller boutique firms that specialize in specific regional, industry or functional searches. We believe our brand name, differentiated business model, systematic approach to client service, cutting-edge technology, global network, prestigious clientele, strong specialty practices and high-caliber colleagues are recognized worldwide. We also believe our long-term incentive compensation arrangements, as well as other executive benefits, distinguish us from most of our competitors and are important in attracting and retaining our key consultants.

Hay Group

Overview Korn Ferry Hay Group helps align an organization to its people developing, engaging, and rewarding them to reach new heights.

Hay Group is divided into two areas Advisory and Productized Services. Our Advisory business addresses how people work, and how to reward, develop, engage and motivate them so that strategies succeed. We deliver solutions that capitalize on the breadth of our intellectual property, service offerings and expertise to do what is right for the client. Our Productized Services business combines our proven methodology and decades of insight and packages them into a range of new tools, supporting recurring HR processes in the domains of Pay, Talent, and Engagement.

We have made significant investments in these service areas with the acquisitions of Lominger Limited, Inc., Lominger Consulting (Lominger) and LeaderSource in fiscal 2007, Lore International in fiscal 2009, SENSA Solutions in fiscal 2010, PDI and Global Novations in fiscal 2013, Pivot Leadership in fiscal 2015, and Legacy Hay Group in fiscal 2016.

Regions Hay Group solutions are delivered by an experienced team of consultants and the richest and most comprehensive people data and insights in the world. As of April 30, 2016, we had Hay Group operations in 21 cities in North America, 35 in Europe, 19 in Asia Pacific, and 10 in Latin America.

Client Base During fiscal 2016, Hay Group partnered with 9,903 clients across the globe, including 60% of the FORTUNE 500.

Competition Our main competitors include firms like Aon Hewitt, Willis Towers Watson, Deloitte, McKinsey, RHR International, Development Dimensions International, Center for Creative Leadership, Right Management, Mercer and SHL, a subsidiary of Corporate Executive Board. Although these firms are our largest competitors, we also compete with smaller boutique firms that specialize in specific regional, industry or functional aspects of leadership and organizational advisory services.

Futurestep

Overview Korn Ferry Futurestep offers clients a portfolio of talent acquisition solutions, including RPO, Project Recruitment, Professional Search, Talent Consulting and Employee Communications. Each Futurestep engagement leverages a global recruitment process and best-in-class technology to maximize and measure quality.

Futurestep combines traditional recruitment expertise with a multi-tiered portfolio of talent acquisition solutions. Futurestep consultants, based in 18 countries, have access to our databases of pre-screened, mid-level professionals. Our global candidate pool complements our international presence and multi-channel sourcing strategy to aid speed, efficiency and quality service for clients worldwide.

Futurestep s customizable end-to-end RPO solution combines our recruiting expertise with state-of-the-art technologies to help companies streamline recruitment processes, enhance candidate experience, and improve quality of hire.

Project Recruitment services offer a proven, outsourced approach for delivering the right talent in the right numbers and in the right location within a specific timeframe.

In terms of Search, Futurestep s brand association with Korn Ferry has helped us become regarded by today s industry leaders as a trusted resource for securing professional and specialized talent.

Talent Consulting services support clients with the wider aspects of the talent lifecycle including talent acquisition advisory, and candidate assessment and selection.

Talent Communications services help clients create a compelling employer brand experience. We use the latest research techniques to identify each client s unique Employer Value Proposition and then bring it to life across the full range of traditional and digital media.

Regions We opened our first Futurestep office in Los Angeles in May 1998. In January 2000, we acquired the Executive Search & Selection business of PA Consulting with operations in Europe and Asia Pacific. As of April 30, 2016, we had Futurestep operations in 13 cities in North America, 8 in Europe, 15 in Asia Pacific, and 2 in Latin America.

Client Base During fiscal 2016, Futurestep partnered with 1,578 clients across the globe and 42% of Futurestep s fiscal 2016 fee revenue was referred from Korn Ferry s Executive Search and Hay Group segments.

Competition Futurestep primarily competes for business with other RPO providers such as Cielo Talent, Alexander Mann Solutions, Hays, Kenexa, Spherion, KellyOCG and ADP, and competes for search assignments with regional contingency recruitment firms and large national retained recruitment firms.

Professional Staff and Employees

We have a wealth of talent at our disposal. Our Company brings together the best and brightest from a wide range of disciplines and professions everything from academic research and technology development to executive recruiting, consulting, and business leadership. We are also a culturally diverse organization. Our people come from all over the world and speak a multitude of languages. For us, this diversity is a key source of strength. It means we have people who are able to challenge convention, offer unique perspectives, and generate innovative ideas. Equally important, it means we can think and act globally just like our clients.

As of April 30, 2016, we had a total of 6,947 full-time employees. Of this, 1,682 were Executive Search employees consisting of 488 consultants and 1,194 associates, researchers, administrative and support staff. Hay Group had 3,626 employees as of April 30, 2016, consisting of 562 consultants and 3,064 associates, researchers, administrative and support staff. Futurestep had 1,530 employees as of April 30, 2016, consisting of 114 consultants and 1,416 administrative and support staff. Corporate had 109 professionals at April 30, 2016. We are not party to a collective bargaining agreement and consider our relations with our employees to be good. Korn Ferry is an equal opportunity employer.

In Executive Search, senior associates, associates and researchers support the efforts of our consultants with candidate sourcing and identification, but do not generally lead assignments. These colleagues are developed through our training and professional development programs. Promotion to senior client partner is based on a variety of factors, including demonstrated superior execution and business development skills, the ability to identify solutions to complex issues, personal and professional ethics, a thorough understanding of the market and the ability to develop and help build effective teams. In addition, we have a program for recruiting experienced professionals into our

Company.

The following table provides information relating to each of our business segments for fiscal 2016. Financial information regarding our business segments for fiscal 2015 and 2014 and additional information for

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fiscal 2016 is contained in Note 11 *Business Segments*, in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K, which is incorporated herein by reference.

	Fee Revenue	Operating Income (Loss)	Number of Consultants as of April 30, 2016
	(dollars in thousands)		
Executive Search:			
North America	$ 371,345	$ 100,381	230
EMEA	144,319	20,607	131
Asia Pacific	80,506	12,572	94
Latin America	26,744	(1,854)	33
Total Executive Search	622,914	131,706	488
Hay Group (1)	471,145	(3,415)	562
Futurestep	198,053	26,702	114
Corporate		(102,301)	
Total	$ 1,292,112	$ 52,692	1,164

The following table provides information on fee revenues for each of the last three fiscal years attributable to the regions in which the Company operates:

	Year Ended April 30,		
	2016 (1)	2015	2014
	(in thousands)		
Fee Revenue:			
United States	$ 669,585	$ 557,024	$ 507,280
Canada	40,401	39,252	38,113
EMEA	343,460	248,865	232,329
Asia Pacific	187,631	145,625	145,452
Latin America	51,035	37,386	37,127
Total	$ 1,292,112	$ 1,028,152	$ 960,301

(1) Fee revenue from Legacy Hay Group was $186.8 million from December 1, 2015, the effective date of the acquisition.

Additional financial information regarding the regions in which the Company operates can be found in Note 11 *Business Segments*, in the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Item 1A. ***Risk Factors***

The risks described below are the material risks facing our Company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition or results of operations could be materially adversely affected by any of these risks.

Competition in our industries could result in our losing market share and/or require us to charge lower prices for services, which could reduce our revenue.

We compete for executive search business with numerous executive search firms and businesses that provide job placement services, including other large global executive search firms, smaller specialty firms and web-based firms. In recent years, we have also begun facing increased competition from sole proprietors and in-house human resource professionals whose ability to provide job placement services has been enhanced by professional profiles made available on the internet and enhanced social media-based search tools. Traditional executive search competitors include Egon Zehnder International, Heidrick & Struggles International, Inc., Russell Reynolds Associates and Spencer Stuart. In each of our markets, one or more of our competitors may possess greater resources, greater name recognition, lower overhead or other costs and longer operating histories than we do, which may give them an advantage in obtaining future clients, capitalizing on new technology and attracting qualified professionals in these markets. Additionally, specialty firms can focus on regional or functional markets or on particular industries and executive search firms that have a smaller client base may be subject to fewer off-limits arrangements. There are no extensive barriers to entry into the executive search industry and new recruiting firms continue to enter the market. We believe the continuing development and increased availability of information technology will continue to attract new competitors, especially web-enabled professional and social networking website providers and these providers may be facilitating a company s ability to insource their recruiting capabilities. As these providers continue to evolve, they may develop offerings similar to or more expansive than ours, thereby increasing competition for our services or more broadly causing disruption in the executive search industry.

The human resource consulting business has been traditionally fragmented and a number of large consulting firms, such as Accenture, Aon Hewitt and Willis Towers Watson are building businesses in human resource management consulting to serve these needs. Increased competition, whether as a result of these professional and social networking website providers, traditional executive search firms, or sole proprietors and in-house human resource professionals (as noted above), may lead to pricing pressures that could negatively impact our business. For example, increased competition could require us to charge lower prices, and/or cause us to lose market share, each of which could reduce our fee revenue.

If we fail to attract and retain qualified and experienced consultants, our revenue could decline and our business could be harmed.

We compete with other executive search and consulting firms for qualified and experienced consultants. These other firms may be able to offer greater compensation and benefits or more attractive lifestyle choices, career paths or geographic locations than we do. Attracting and retaining consultants in our industry is particularly important because, generally, a small number of consultants have primary responsibility for a client relationship. Because client responsibility is so concentrated, the loss of key consultants may lead to the loss of client relationships. In fiscal 2016, for example, our top three executive search consultants had primary responsibility for generating business equal to approximately 1% of our net revenues, and our top ten executive search consultants had primary responsibility for generating business equal to approximately 3% of our net revenues. This risk is heightened due to the general portability of a consultant s business; consultants have in the past, and will in the future, terminate their employment with our Company. Any decrease in the quality of our reputation, reduction in our compensation levels relative to our peers or restructuring of our compensation program, whether as a result of insufficient revenue, a decline in the market price of our common stock or for any other reason, could impair our ability to retain existing consultants or attract additional qualified consultants with the requisite experience, skills and established client relationships. Our failure to retain our most productive consultants, whether in Executive Search, Hay Group or Futurestep, or maintain the quality of service to which our clients are accustomed and the ability of a departing consultant to move business to his or her new employer could result in a loss of clients, which could in turn cause our fee revenue to decline and our business to be harmed. We may also lose clients if the departing executive search, Hay Group or Futurestep consultant has widespread name recognition or a reputation as a specialist in his or her line of business in a specific industry or management function. We could also lose additional consultants if they choose to join the departing Executive Search, Hay Group or Futurestep consultant at another executive search or consulting firm. If we fail to limit departing consultants from moving business or recruiting our consultants to a competitor, our business, financial condition and results of operations could be adversely affected.

Acquisitions, or our inability to effect acquisitions, may have an adverse effect on our business.

We have completed several strategic acquisitions of businesses in the last several years, including our acquisitions of Legacy Hay Group in fiscal 2016, Pivot Leadership in fiscal 2015 and PDI and Global Novations in fiscal 2013. Targeted acquisitions have been part of our growth strategy, and we may in the future selectively acquire businesses that are complementary to our existing service offerings. However, we cannot be certain that

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we will be able to continue to identify appropriate acquisition candidates or acquire them on satisfactory terms. Our ability to consummate such acquisitions on satisfactory terms will depend on:

- the extent to which acquisition opportunities become available;
- our success in bidding for the opportunities that do become available;
- negotiating terms that we believe are reasonable; and
- regulatory approval, if required.

Our ability to make strategic acquisitions may also be conditioned on our ability to fund such acquisitions through the incurrence of debt or the issuance of equity. Our credit agreement dated as of June 15, 2016 limits us from consummating permitted acquisitions unless we are in pro forma compliance with our financial covenants, our pro forma leverage ratio is no greater than 2.50 to 1.00, and domestic liquidity after giving effect to the acquisition is at least $50.0 million. If we are required to incur substantial indebtedness in connection with an acquisition, and the results of the acquisition are not favorable, the increased indebtedness could decrease the value of our equity. In addition, if we need to issue additional equity to consummate an acquisition, doing so would cause dilution to existing stockholders.

If we are unable to make strategic acquisitions, or the acquisitions we do make are not on terms favorable to us or not effected in a timely manner, it may impede the growth of our business, which could adversely impact our profitability and our stock price.

We may not be able to successfully integrate or realize the expected benefits from our acquisitions.

Our future success may depend in part on our ability to complete the integration of acquisition targets successfully into our operations. The process of integrating an acquired business, including the ongoing integration of Legacy Hay Group, may subject us to a number of risks, including:

- diversion of management attention;
- amortization of intangible assets, adversely affecting our reported results of operations;
- inability to retain and/or integrate the management, key personnel and other employees of the acquired business;
- inability to properly integrate businesses resulting in operating inefficiencies;

- inability to establish uniform standards, disclosure controls and procedures, internal control over financial reporting and other systems, procedures and policies in a timely manner;
- inability to retain the acquired company s clients;
- exposure to legal claims for activities of the acquired business prior to acquisition; and
- incurrence of additional expenses in connection with the integration process.

If our acquisitions are not successfully integrated, our business, financial condition and results of operations, as well as our professional reputation, could be materially adversely affected.

Further, we cannot assure that acquisitions will result in the financial, operational or other benefits that we anticipate. Some acquisitions, including the Legacy Hay Group acquisition, may not be immediately accretive to earnings and some expansion may result in significant expenditures.

Businesses we acquire may have liabilities or adverse operating issues which could harm our operating results.

Businesses we acquire may have liabilities or adverse operating issues, or both, that we either fail to discover through due diligence or underestimate prior to the consummation of the acquisition. These liabilities and/or issues may include the acquired business failure to comply with, or other violations of, applicable laws, rules, or regulations or contractual or other obligations or liabilities. As the successor owner, we may be financially responsible for, and may suffer harm to our reputation or otherwise be adversely affected by, such liabilities and/or issues. An acquired business also may have problems with internal controls over financial reporting, which could in turn cause us to have significant deficiencies or material weaknesses in our own internal controls over financial reporting. These and any other costs, liabilities, issues, and/or disruptions associated with any past or future acquisitions, and the related integration, could harm our operating results.

As a result of our acquisitions, we have substantial amounts of goodwill and intangible assets, and changes in business conditions could cause these assets to become impaired, requiring write-downs that would adversely affect our operating results.

All of our acquisitions have been accounted for as purchases and involved purchase prices well in excess of tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. As of April 30, 2016, goodwill and purchased intangibles accounted for approximately 31% and 12%, respectively, of our total assets. Under U.S. generally accepted accounting principles (GAAP), we do not amortize goodwill and intangible assets acquired in a purchase business combination that are determined to have indefinite useful lives, but instead review them annually (or more frequently if impairment indicators arise) for impairment. Although we have to date determined that such assets have not been impaired, future events or changes in circumstances that result in an impairment of goodwill or other intangible assets would have a negative impact on our profitability and operating results.

We are a cyclical Company whose performance is tied to local and global economic conditions.

Demand for our services is affected by global economic conditions and the general level of economic activity in the geographic regions and industries in which we operate. When conditions in the global economy, including the credit markets, deteriorate, or economic activity slows, many companies hire fewer permanent employees and some companies, as a cost-saving measure, choose to rely on their own human resources departments rather than third-party search firms to find talent, which negatively affects our financial condition and results of operations, as evidenced by our results of operations during the Great Recession of 2008 and 2009 that continued to impact our results of operations through fiscal 2010. We may also experience more competitive pricing pressure during periods of economic decline. While the economic activity in the regions and industries in which we operate has shown improvement, general market uncertainty continues to exist. If such uncertainty persists, if the national or global economy or credit market conditions in general deteriorate, or if the unemployment rate increases, such uncertainty or changes could put negative pressure on demand for our services and our pricing, resulting in lower cash flows and a negative effect on our business, financial condition and results of operations. In addition, some of our clients may experience reduced access to credit and lower revenues resulting in their inability to meet their payment obligations to us.

If we are unable to retain our executive officers and key personnel, or integrate new members of our senior management who are critical to our business, we may not be able to successfully manage our business in the future.

Our future success depends upon the continued service of our executive officers and other key management personnel. Competition for qualified personnel is intense, and we may compete with other companies that have greater financial and other resources than we do. If we lose the services of one or more of our executives or key employees, or if one or more of them decides to join a competitor or otherwise compete directly or indirectly with us, or if we are unable to integrate new members of our senior management who are critical to our business, we may not be able to successfully manage our business or achieve our business objectives.

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If we are unable to maintain our professional reputation and brand name, our business will be harmed.

We depend on our overall reputation and brand name recognition to secure new engagements and to hire qualified professionals. Our success also depends on the individual reputations of our professionals. We obtain a majority of our new engagements from existing clients or from referrals by those clients. Any client who is dissatisfied with our services can adversely affect our ability to secure new engagements.

If any factor, including poor performance or negative publicity, whether or not true, hurts our reputation, we may experience difficulties in competing successfully for both new engagements and qualified consultants. Failing to maintain our professional reputation and the goodwill associated with our brand name could seriously harm our business.

The expansion of social media platforms presents new risks and challenges that can cause damage to our brand and reputation.

The inappropriate and/or unauthorized use of certain media vehicles could cause damage to our brand or information leakage that could lead to legal implications, including improper collection and/or dissemination of personally identifiable information of candidates and clients. In addition, negative or inaccurate posts or comments about us on any social networking website could damage our reputation, brand image and goodwill.

We are subject to potential legal liability from clients, employees and candidates for employment. Insurance coverage may not be available to cover all of our potential liability and available coverage may not be sufficient to cover all claims that we may incur.

Our ability to obtain liability insurance, its coverage levels, deductibles and premiums are all dependent on market factors, our loss history and insurers perception of our overall risk profile. We are exposed to potential claims with respect to the executive search process. For example, a client could assert a claim for matters such as breach of an off-limit agreement or recommending a candidate who subsequently proves to be unsuitable for the position filled. Further, the current employer of a candidate whom we placed could file a claim against us alleging interference with an employment contract, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate s employment search, and a candidate or employee could assert an action against us for alleged discrimination, violations of labor and employment law or other matters. Also, in various countries, we are subject to data protection laws impacting the processing of candidate information and other regulatory requirements.

Additionally, as part of our Hay Group services, we often send a team of leadership consultants to our client s workplaces. Such consultants generally have access to client information systems and confidential information. An inherent risk of such activity includes possible claims of misuse or misappropriation of client intellectual property, confidential information, funds, or other property; harassment; criminal activity; torts; or other claims. Such claims may result in negative publicity, injunctive relief, criminal investigations and/or charges, payment by us of monetary damages or fines, or other material adverse effects on our business.

We cannot ensure that our insurance will cover all claims or that insurance coverage will be available at economically acceptable rates. Our insurance may also require us to meet a deductible. Significant uninsured liabilities could have a material adverse effect on our business, financial condition and results of operations.

We rely heavily on our information systems and if we lose that technology, or fail to further develop our technology, our business could be harmed.

Our success depends in large part upon our ability to store, retrieve, process, manage and protect substantial amounts of information. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. This may require the acquisition of equipment and software and the development of new proprietary software, either internally or through independent consultants. If we are unable to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or for any reason any interruption or loss of our information processing capabilities occurs, this could harm our business, results of operations and financial condition. Although we have disaster recovery procedures in place and insurance to protect against the effects of a disaster on our information technology, we cannot be sure that insurance or these services will continue to be available at reasonable prices, cover all our losses or compensate us for the possible loss of clients occurring during any period that we are unable to provide business services.

Cyber security vulnerabilities could lead to improper disclosure of information obtained from our clients, candidates and employees that could result in liability and harm our reputation.

We use information technology and other computer resources to carry out operational and marketing activities and to maintain our business records. The continued occurrence of high-profile data breaches against various entities and organizations provides evidence of an external environment increasingly hostile to information security. This environment demands that we continuously improve our design and coordination of security controls across our business groups and geographies in order to protect information that we develop or that is obtained from our clients, candidates and employees. Despite these efforts, given the ongoing and increasingly sophisticated attempts to access the information of entities, our security controls over this information, our training of employees, and other practices we follow may not prevent the improper disclosure of such information. We have incurred costs to bolster our security against attacks; such efforts and expenditures, however, cannot provide absolute assurance that future data breaches will not occur. We depend on our overall reputation and brand name recognition to secure new engagements. Perceptions that we do not adequately protect the privacy of information could inhibit attaining new engagements and qualified consultants, and could potentially damage currently existing client relationships.

Limited protection of our intellectual property could harm our business, and we face the risk that our services or products may infringe upon the intellectual property rights of others.

We cannot guarantee that trade secret, trademark and copyright law protections are adequate to deter misappropriation of our intellectual property (which has become an increasingly important part of our business). Existing laws of some countries in which we provide services or products may offer only limited protection of our intellectual property rights. Redressing infringements may consume significant management time and financial resources. Also, we may be unable to detect the unauthorized use of our intellectual property and take the necessary steps to enforce our rights, which may have a material adverse impact on our business, financial condition or results of operations. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us or our clients. These claims may harm our reputation, result in financial liability and prevent us from offering some services or products.

We have invested in specialized technology and other intellectual property for which we may fail to fully recover our investment or which may become obsolete.

We have invested in developing specialized technology and intellectual property, including proprietary systems, processes and methodologies, such as Searcher Express and KF Insight, that we believe provide us a competitive advantage in serving our current clients and winning new engagements. Many of our service and product offerings rely on specialized technology or intellectual property that is subject to rapid change, and to the extent that this technology and intellectual property is rendered obsolete and of no further use to us or our clients, our ability to continue offering these services, and grow our revenues, could be adversely affected. There is no assurance that we will be able to develop new, innovative or improved technology or intellectual property or that our technology and intellectual property will effectively compete with the intellectual property developed by our competitors. If we are unable to develop new technology and intellectual property or if our competitors develop better technology or intellectual property, our revenues and results of operations could be adversely affected.

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We face risks associated with social and political instability, legal requirements, economic conditions and currency fluctuations in our international operations.

We operate in 52 countries and during the year ended April 30, 2016, generated 48% of our fee revenue from operations outside of the United States. We are exposed to the risk of changes in social, political, legal and economic conditions inherent in international operations. Examples of risks inherent in transacting business worldwide that we are exposed to include:

- uncertainties and instability in economic and market conditions caused by the U.K. s vote to exit the European Union;
- uncertainty regarding how the U.K. s access to the EU Single Market and the wider trading, legal, regulatory and labor environments, especially in the U.K. and European Union, will be impacted by the U.K s vote to exit the European Union, including the resulting impact on our business and that of our clients;
- changes in and compliance with applicable laws and regulatory requirements, including U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act of 1977 and sanctions programs administered by the U.S. Department of the Treasury Office of Foreign Assets Control, and similar foreign laws such as the U.K. Bribery Act, as well the fact that many countries have legal systems, local laws and trade practices that are unsettled and evolving, and/or commercial laws that are vague and/or inconsistently applied;
- difficulties in staffing and managing global operations, which could impact our ability to maintain an effective system of internal control;
- difficulties in building and maintaining a competitive presence in existing and new markets;
- social, economic and political instability;
- differences in cultures and business practices;
- fluctuations in currency exchange rates;
- statutory equity requirements;
- differences in accounting and reporting requirements;

- repatriation controls;
- differences in labor and market conditions;
- potential adverse tax consequences; and
- multiple regulations concerning pay rates, benefits, vacation, statutory holiday pay, workers compensation, union membership, termination pay, the termination of employment, and other employment laws.

We cannot ensure that one or more of these factors will not harm our business, financial condition or results of operations.

Foreign currency exchange rate risks may adversely affect our results of operations.

A material portion of our revenue and expenses are generated by our operations in foreign countries, and we expect that our foreign operations will account for a material portion of our revenue and expenses in the future. Most of our international expenses and revenue are denominated in foreign currencies. As a result, our financial results could be affected by factors, such as changes in foreign currency exchange rates or weak economic conditions in foreign markets in which we have operations. Fluctuations in the value of those currencies in relation to the United States dollar have caused and will continue to cause dollar-translated amounts to vary from one period to another. Given the volatility of exchange rates, we may not be able to manage effectively our currency translation or transaction risks, which may adversely affect our financial condition and results of operations.

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We may be limited in our ability to recruit candidates from our clients and we could lose those opportunities to our competition, which could harm our business.

Either by agreement with clients, or for client relations or marketing purposes, we sometimes refrain from, for a specified period of time, recruiting candidates from a client when conducting searches on behalf of other clients. These off-limit agreements can generally remain in effect for up to two years following completion of an assignment. The duration and scope of the off-limit agreement, including whether it covers all operations of the client and its affiliates or only certain divisions of a client, generally are subject to negotiation or internal policies and may depend on factors such as the scope, size and complexity of the client s business, the length of the client relationship and the frequency with which we have been engaged to perform executive searches for the client. If a prospective client believes that we are overly restricted by these off-limit agreements from recruiting employees of our existing clients, these prospective clients may not engage us to perform their executive searches. Therefore, our inability to recruit candidates from these clients may make it difficult for us to obtain search assignments from, or to fulfill search assignments for, other companies in that client s industry. We cannot ensure that off-limit agreements will not impede our growth or our ability to attract and serve new clients, or otherwise harm our business.

Consolidation in the industries that we serve could harm our business.

Companies in the industries that we serve may seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If two or more of our clients merge or consolidate and combine their operations, we may experience a decrease in the amount of services we perform for these clients. If one of our clients merges or consolidates with a company that relies on another provider for its services, we may lose work from that client or lose the opportunity to gain additional work. The increased market power of larger companies could also increase pricing and competitive pressures on us. Any of these possible results of industry consolidation could harm our business, results of operations and financial condition.

We have provisions that make an acquisition of us more difficult and expensive.

Anti-takeover provisions in our Certificate of Incorporation, our Bylaws and under Delaware law make it more difficult and expensive for us to be acquired in a transaction that is not approved by our Board of Directors. Some of the provisions in our Certificate of Incorporation and Bylaws include:

- limitation on stockholder actions;
- advance notification requirements for director nominations and actions to be taken at stockholder meetings; and
- the ability to issue one or more series of preferred stock by action of our Board of Directors.

These provisions could discourage an acquisition attempt or other transaction in which stockholders could receive a premium over the current market price for the common stock.

Unfavorable tax laws, tax law changes and tax authority rulings may adversely affect results.

We are subject to income taxes in the United States and in various foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings among countries with differing statutory tax rates or changes in tax laws. The amount of income taxes and other taxes are subject to ongoing audits by United States federal, state and local tax authorities and by non-United States authorities. If these audits result in assessments different from estimated amounts recorded, future financial results may include unfavorable tax adjustments.

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We have deferred tax assets that we may not be able to use under certain circumstances.

If we are unable to generate sufficient future taxable income in certain jurisdictions, or if there is a significant change in the time period within which the underlying temporary differences become taxable or deductible, we could be required to increase our valuation allowances against our deferred tax assets. This would result in an increase in our effective tax rate, and an adverse effect on our future operating results. In addition, changes in statutory tax rates may also change our deferred tax assets or liability balances, with either a favorable or unfavorable impact on our effective tax rate. Our deferred tax assets may also be impacted by new legislation or regulation.

An impairment in the carrying value of goodwill and other intangible assets could negatively impact our consolidated results of operations and net worth.

Goodwill is initially recorded as the excess of amounts paid over the fair value of net assets acquired. While goodwill is not amortized, it is reviewed for impairment at least annually or more frequently if impairment indicators are present. In assessing the carrying value of goodwill, we make qualitative and quantitative assumptions and estimates about revenues, operating margins, growth rates and discount rates based on our business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management s judgment in applying these factors. Goodwill valuations have been calculated using an income approach based on the present value of future cash flows of each reporting unit and a market approach. We could be required to evaluate the carrying value of goodwill prior to the annual assessment, if we experience unexpected significant declines in operating results or sustained market capitalization declines. These types of events and the resulting analyses could result in goodwill impairment charges in the future. Impairment charges could substantially affect our results of operations and net worth in the periods of such charges.

We may not be able to align our cost structure with our revenue level which in turn may require additional financing in the future that may not be available at all or may be available only on unfavorable terms.

We continuously evaluate our cost base in relation to projected near to mid-term demand for our services in an effort to align our cost structure with the current realities of our markets. If actual or projected fee revenues are negatively impacted by weakening customer demand, we may find it necessary to take cost cutting measures so that we can minimize the impact on our profitability. There is, however, no guarantee that if we do take such measures that such measures will properly align our cost structure to our revenue level. Any failure to maintain a balance between our cost structure and our revenue could adversely affect our business, financial condition, and results of operations and lead to negative cash flows, which in turn might require us to obtain additional financing to meet our capital needs. If we are unable to secure additional financing on favorable terms, or at all, our ability to fund our operations could be impaired, which could have a material adverse effect on our results of operations.

We invest in marketable securities classified as trading and if the market value of these securities declines materially, they could have an adverse effect on our financial position and results of operations.

Marketable securities consist of mutual funds. The primary objectives of the mutual funds are to meet the obligations under certain of our deferred compensation plans. If the financial markets in which these securities trade were to materially decline in value, the unrealized losses and potential realized losses could negatively impact the Company s financial position and results of operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with regard to particular areas of our operations. In particular, our ability to recover from any disaster or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster. We will continue to regularly assess and take steps to improve upon our business continuity plans. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability.

As we develop new services, clients and practices, enter new lines of business, and focus more of our business on providing a full range of client solutions, the demands on our business and our operating risks may increase.

As part of our corporate strategy, we are attempting to leverage our research and advisory services to sell a full range of services across the life cycle of a policy, program, project, or initiative, and we are regularly searching for ways to provide new services to clients. In addition, we plan to extend our services to new clients, into new lines of business, and into new geographic locations. As we focus on developing new services, clients, practice areas and lines of business; open new offices; and engage in business in new geographic locations, our operations may be exposed to additional as well as enhanced risks.

In particular, our growth efforts place substantial additional demands on our management and staff, as well as on our information, financial, administrative and operational systems. We may not be able to manage these demands successfully. Growth may require increased recruiting efforts, opening new offices, increased business development, selling, marketing and other actions that are expensive and entail increased risk. We may need to invest more in our people and systems, controls, compliance efforts, policies and procedures than we anticipate. Therefore, even if we do grow, the demands on our people and systems, controls, compliance efforts, policies and procedures may exceed the benefits of such growth, and our operating results may suffer, at least in the short-term, and perhaps in the long-term.

Efforts involving a different focus, new services, new clients, new practice areas, new lines of business, new offices and new geographic locations entail inherent risks associated with our inexperience and competition from mature participants in those areas. Our inexperience may result in costly decisions that could harm our profit and operating results. In particular, new or improved services often relate to the development, implementation and improvement of critical infrastructure or operating systems that our clients may view as mission critical, and if we fail to satisfy the needs of our clients in providing these services, our clients could incur significant costs and losses for which they could seek compensation from us. Finally, as our business continues to evolve and we provide a wider range of services, we will become increasingly dependent upon our employees, particularly those operating in business environments less familiar to us. Failure to identify, hire, train and retain talented employees who share our values could have a negative effect on our reputation and our business.

Our financial results could suffer if we are unable to achieve or maintain adequate utilization and suitable billing rates for our consultants.

Our profitability depends, to a large extent, on the utilization and billing rates of our professionals. Utilization of our professionals is affected by a number of factors, including:

the number and size of client engagements;

the timing of the commencement, completion and termination of engagements. For example, the commencement or termination of multiple RPO engagements could have a significant impact on our

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business, including significant fluctuations in our fee revenue, since these types of engagements are generally larger, in terms of both staffing and fee revenue generated, than our other engagements;

our ability to transition our consultants efficiently from completed engagements to new engagements;

the hiring of additional consultants because there is generally a transition period for new consultants that results in a temporary drop in our utilization rate;

unanticipated changes in the scope of client engagements;

our ability to forecast demand for our services and thereby maintain an appropriate level of consultants; and

conditions affecting the industries in which we practice as well as general economic conditions.

The billing rates of our consultants that we are able to charge are also affected by a number of factors, including:

our clients perception of our ability to add value through our services;

the market demand for the services we provide;

an increase in the number of clients in the government sector;

introduction of new services by us or our competitors;

our competition and the pricing policies of our competitors; and

current economic conditions.

If we are unable to achieve and maintain adequate overall utilization as well as maintain or increase the billing rates for our consultants, our financial results could materially suffer. In addition, our consultants oftentimes perform services at the physical locations of our clients. If there are natural disasters, disruptions to travel and transportation or problems with communications systems, our ability to perform services for, and interact with, our clients at their physical locations may be negatively impacted which could have an adverse effect on our business and results of operations.

Changes in our accounting estimates and assumptions could negatively affect our financial position and results of operations.

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). These accounting principles require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. We are also required to make certain judgments that affect the reported amounts of revenues and expenses during each reporting period. We periodically evaluate our estimates and assumptions including those relating to revenue recognition, restructuring, deferred compensation, goodwill and other intangible assets, contingent consideration, annual performance related bonuses, allowance for doubtful accounts, share-based payments and deferred income taxes. We base our estimates on historical experience and various assumptions that we believe to be reasonable based on specific circumstances. Actual results could differ from these estimates, and changes in accounting standards could have an adverse impact on our future financial position and results of operations.

Our indebtedness could impair our financial condition and reduce funds available to us for other purposes and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results.

On November 23, 2015, the Company borrowed $150 million from its term loan facility with Wells Fargo Bank, National Association, dated as of January 18, 2013 (as amended, the Credit Agreement). As of April 30, 2016, the amount outstanding was $140.0 million. On June 15, 2016, the Company entered into a new senior secured $400 million Credit Agreement with a syndicate of banks made up of $275 million term loan and $125 million of secured revolving loans. We drew down $275 million on the term loan and used $140 million of the proceeds to pay-off the term loan that was outstanding as of April 30, 2016. The remaining funds will be used for working capital and general corporate purposes.

If we do not generate sufficient cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans. We cannot ensure that we would be able to refinance our debt or enter into alternative financing plans in adequate amounts on commercially reasonable terms, terms acceptable to us or at all, or that such plans guarantee that we would be able to meet our debt obligations.

Our existing debt agreements contain financial and restrictive covenants that limit the total amount of debt that we may incur, and may limit our ability to engage in other activities that we may believe are in our long-term best interests, including the disposition or acquisition of assets or other companies or the payment of dividends to our shareholders. Our failure to comply with these covenants may result in an event of default, which, if not cured or waived, could accelerate the maturity of our indebtedness or prevent us from accessing additional funds under our revolving credit facility. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned.

You may not receive the level of dividends provided for in the dividend policy our Board of Directors has adopted or any dividends at all.

We are not obligated to pay dividends on our common stock. Our Board of Directors adopted a dividend policy on December 8, 2014, that reflects an intention to distribute to our stockholders a regular quarterly cash dividend of $0.10 per share of common stock. We paid our first dividend under this program on April 9, 2015 and every quarter since the adoption of the dividend policy, the Company has declared a quarterly dividend. The declaration and payment of all future dividends to holders of our common stock are subject to the discretion of our Board of Directors, which may amend, revoke or suspend our dividend policy at any time and for any reason, including, earnings, capital requirements, financial conditions, and other factors our Board of Directors may deem relevant. The terms of our indebtedness may also restrict us from paying cash dividends on our common stock under certain circumstances. See below   Our ability to pay dividends will be restricted by agreements governing our debt, including our credit agreement, and by Delaware law.

Over time, our capital and other cash needs may change significantly from our current needs, which could affect whether we pay dividends and the level of any dividends we may pay in the future. If we were to use borrowings under our credit facility to fund our payment of dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively affect our financial condition, our results of operations, our liquidity and our ability to maintain and expand our business. Accordingly, you may not receive dividends in the intended amounts, or at all. Any reduction or elimination of dividends may negatively affect the market price of our common stock.

Our ability to pay dividends will be restricted by agreements governing our debt, including our credit agreement, and by Delaware law.

Our credit agreement restricts our ability to pay dividends. See   Management   s Discussion and Analysis of Financial Condition and Results of Operations   Liquidity and Capital Resources   Long-Term Debt   where we describe the terms of our indebtedness, including provisions limiting our ability to declare and pay dividends. As a result of such restrictions, we may be limited in our ability to pay dividends unless we amend our credit agreement or otherwise obtain a waiver from our lenders. In addition, as a result of general economic conditions, conditions in the lending markets, the results of our business or for any other reason, we may elect or be required to amend or refinance our senior credit facility, at or prior to maturity, or enter into additional agreements for indebtedness. Any such amendment, refinancing or additional agreement may contain covenants which could limit in a significant manner or entirely our ability to pay dividends to you.

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Additionally, under the Delaware General Corporation Law (DGCL), our Board of Directors may not authorize payment of a dividend unless it is either paid out of surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

If, as a result of these restrictions, we are required to reduce or eliminate the payment of dividends, a decline in the market price or liquidity, or both, of our common stock could result. This may in turn result in losses by you.

Our dividend policy may limit our ability to pursue growth opportunities.

If we pay dividends at the level currently anticipated under our dividend policy, we may not retain a sufficient amount of cash to finance growth opportunities, meet any large unanticipated liquidity requirements or fund our operations in the event of a significant business downturn. In addition, because a portion of cash available will be distributed to holders of our common stock under our dividend policy, our ability to pursue any material expansion of our business, including through acquisitions, increased capital spending or other increases of our expenditures, will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at all, or at an acceptable cost. If we are unable to take timely advantage of growth opportunities, our future financial condition and competitive position may be harmed, which in turn may adversely affect the market price of our common stock.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

Our corporate office is located in Los Angeles, California. We lease all 150 of our Executive Search, Hay Group, and Futurestep offices located in North America, EMEA, Asia Pacific and Latin America. As of April 30, 2016, we leased an aggregate of approximately 1,641,449 square feet of office space. The leases generally have remaining terms of one to 14 years and contain customary terms and conditions. We believe that our facilities are adequate for our current needs and we do not anticipate any difficulty replacing such facilities or locating additional facilities to accommodate any future growth.

Item 3. *Legal Proceedings*

From time to time, we are involved in litigation both as a plaintiff and a defendant, relating to claims arising out of our operations. As of the date of this report, we are not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on our business, financial condition or results of operations.

Item 4. *Mine Safety Disclosures*

Not applicable.

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Executive Officers of the Registrant

Name	Age	Position
Gary D. Burnison	55	President and Chief Executive Officer
Robert P. Rozek	55	Executive Vice President, Chief Financial Officer and Chief Corporate Officer
Stephen Kaye	51	Chief Executive Officer of Hay Group
Byrne Mulrooney	55	Chief Executive Officer, Futurestep

Our executive officers serve at the discretion of our Board of Directors. There is no family relationship between any executive officer or director. The following information sets forth the business experience for at least the past five years for each of our executive officers.

Gary D. Burnison has been President and Chief Executive Officer since July 2007. He was Executive Vice President and Chief Financial Officer from March 2002 until June 30, 2007 and Chief Operating Officer from November 2003 until June 30, 2007. Prior to joining Korn Ferry, Mr. Burnison was Principal and Chief Financial Officer of Guidance Solutions, a privately held consulting firm, from 1999 to 2001. Prior to that, he served as an executive officer and a member of the board of directors of Jefferies and Company, Inc., the principal operating subsidiary of Jefferies Group, Inc. from 1995 to 1999. Earlier, Mr. Burnison was a partner at KPMG Peat Marwick.

Robert P. Rozek joined the Company in February 2012 as our Executive Vice President, Chief Financial Officer and Chief Corporate Officer. Prior to joining Korn Ferry, he served as Executive Vice President and Chief Financial Officer of Cushman & Wakefield, Inc., a privately held commercial real estate services firm, from June 2008 to February 2012. Prior to joining Cushman & Wakefield, Inc., Mr. Rozek served as Senior Vice President and Chief Financial Officer of Las Vegas Sands Corp, a leading global developer of destination properties (integrated resorts) that feature premium accommodations, world-class gaming and entertainment, convention and exhibition facilities and many other amenities, from 2006 to 2008. Prior to that, Mr. Rozek held senior leadership positions at Eastman Kodak, and spent five years as a partner with PricewaterhouseCoopers LLP.

Stephen Kaye was appointed as CEO of Korn Ferry s Hay Group segment in December 2015 concurrent with the Company s acquisition of Legacy Hay Group. Prior to the acquisition, Mr. Kaye served as president and CEO of Legacy Hay Group from May 2013 until the time of acquisition. Between 1998 and 2013, Mr. Kaye served as Chief Financial Officer of Legacy Hay Group. Mr. Kaye holds a Bachelor of Science in Engineering from Imperial College in the United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Byrne Mulrooney joined the Company in April 2010 as Chief Executive Officer of Futurestep. Prior to joining Korn Ferry, he was President and Chief Operating Officer of Flynn Transportation Services, a third party logistics company, from 2007 to 2010. Prior to that, he led Spherion s workforce solutions business in North America, which provides workforce solutions in professional services and general staffing, including recruitment process outsourcing and managed services, from 2003 to 2007. Mr. Mulrooney held executive positions for almost 20 years at EDS and IBM in client services, sales, marketing and operations. Mr. Mulrooney is a graduate of Villanova University in Pennsylvania. He holds a master s degree in management from Northwestern University s J.L. Kellogg Graduate School of Management.

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PART II.

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol KFY . The following table sets forth the high and low sales price per share of the common stock for the periods indicated, as reported on the New York Stock Exchange:

	High	Low
Fiscal Year Ended April 30, 2016		
First Quarter	$ 36.34	$ 30.73
Second Quarter	$ 36.74	$ 32.02
Third Quarter	$ 38.93	$ 28.69
Fourth Quarter	$ 31.27	$ 25.21
Fiscal Year Ended April 30, 2015		
First Quarter	$ 32.78	$ 27.55
Second Quarter	$ 31.78	$ 24.13
Third Quarter	$ 29.85	$ 25.57
Fourth Quarter	$ 33.72	$ 27.89

On June 22, 2016, the last reported sales price on the New York Stock Exchange for the Company s common stock, was $22.23 per share and there were approximately 17,780 beneficial stockholders of the Company s common stock.

Performance Graph

We have presented below a graph comparing the cumulative total stockholder return on the Company s shares with the cumulative total stockholder return on (1) the Standard & Poor s 500 Stock Index and (2) a company-established peer group. Cumulative total return for each of the periods shown in the performance graph is measured assuming an initial investment of $100 on April 30, 2011 and the reinvestment of any dividends paid by the Company and any company in the peer group on the date the dividends were paid.

In fiscal 2011, we established a new peer group, which the Company continues to use today, comprised of a broad number of publicly traded companies, which are principally or in significant part involved in either professional staffing or consulting. The peer group is comprised of the following 15 companies: CBIZ, Inc. (CBZ), FTI Consulting, Inc. (FCN), Heidrick & Struggles International, Inc. (HSII), Huron Consulting Group Inc. (HURN), ICF International, Inc. (ICFI), Insperity, Inc. (NSP), Kelly Services, Inc. (KELYA), Kforce Inc. (KFRC), Navigant Consulting, Inc. (NCI), Resources Connection, Inc. (RECN), Robert Half International, Inc. (RHI), CEB, Inc. (CEB), The Dun & Bradstreet Corporation (DNB), Willis Towers Watson (WLTW) and TrueBlue, Inc. (TBI). We believe this group of professional services firms, is reflective of similar sized companies in terms of our market capitalization, revenue or profitability, and therefore provides a more meaningful comparison of stock performance. The returns of each company have been weighted according to their respective stock market capitalization at the beginning of each measurement period for purposes of arriving at a peer group average.

The stock price performance depicted in this graph is not necessarily indicative of future price performance. This graph will not be deemed to be incorporated by reference by any general statement incorporating this Form 10-K into any filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed soliciting material or deemed filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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* $100 invested on 4/30/11 in stock or index, including reinvestment of dividends. Fiscal year ending April 30, 2016.

Capital Allocation Approach

The Company and its Board of Directors endorse a balanced approach to capital allocation. The Company s first priority is to invest in growth initiatives, such as the hiring of consultants, the continued development of intellectual property and derivative products and services, and the investment in synergistic accretive M&A transactions that earn a return superior to the Company s cost of capital. Next, the Company s capital allocation approach contemplates the planned return of a portion of excess capital to stockholders, in the form of a regular quarterly dividend, subject to the factors discussed below under Dividends and in more detail in the Risk Factors section of this Annual Report on Form 10-K. Additionally, the Company considers share repurchases on an opportunistic basis and subject to the terms of our credit agreement.

Dividends

On December 8, 2014, the Board of Directors adopted a dividend policy, reflecting an intention to distribute to our stockholders a regular quarterly cash dividends of $0.10 per share. In fiscal 2015, the Board of Directors declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in thousands)	Payment Date
March 4, 2015	$0.10	March 25, 2015	$5,105	April 9, 2015

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In fiscal 2016, the Board of Directors declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in thousands)	Payment Date
June 10, 2015	$0.10	June 25, 2015	$5,115	July 15, 2015
September 7, 2015	$0.10	September 25, 2015	$5,174	October 15, 2015
December 8, 2015	$0.10	December 21, 2015	$5,770	January 15, 2016
March 8, 2016	$0.10	March 25, 2016	$5,774	April 15, 2016

The declaration and payment of future dividends under the quarterly dividend policy will be at the discretion of the Board of Directors and will depend upon many factors, including the Company s earnings, capital requirements, financial conditions, the terms of the Company s indebtedness and other factors that the Board of Directors may deem to be relevant. The Board may amend, revoke or suspend the dividend policy at any time and for any reason.

Our new senior secured revolving credit agreement, dated June 15, 2016, permits us to pay dividends to our stockholders and make share repurchases so long as our pro forma leverage ratio, defined as, the ratio of consolidated funded indebtedness to consolidated adjusted EBITDA, is no greater than 2.50 to 1.00, and our pro forma domestic liquidity is at least $50.0 million.

Stock Repurchase Program

On December 8, 2014, the Board of Directors approved an increase in the Company s stock repurchase program to an aggregate of $150 million. Common stock may be repurchased from time to time in open market or privately negotiated transactions at the Company s discretion subject to market conditions and other factors. As of April 30, 2016, no shares have been repurchased under this program. Our dividend policy as well as any decision to execute on our currently outstanding issuer repurchase program will depend on our earnings, capital requirements, financial condition and other factors considered relevant by our Board of Directors. Our New Credit Agreement permits us pay dividends to our stockholders and make share repurchases so long as our pro forma leverage ratio is no greater than 2.50 to 1.00, and our pro forma domestic liquidity is at least $50.0 million.

Issuer Purchases of Equity Securities

The following table summarizes common stock repurchased by us during the fourth quarter of fiscal 2016:

	Shares Purchased (1)	Average Price Paid Per Share	Shares Purchased as Part of Publicly-Announced Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased under the Programs (2)
February 1, 2016 February 29, 2016	22,540	$ 30.10		$ 150.0 million
March 1, 2016 March 31, 2016	797	$ 28.29		$ 150.0 million

April 1, 2016	April 30, 2016		$	$ 150.0 million
Total		23,337	$ 30.04	$ 150.0 million

(1) Represents withholding of a portion of restricted shares to cover taxes upon vesting of restricted shares.

(2) On December 8, 2014, the Board of Directors also approved an increase in the Company s stock repurchase program to an aggregate of $150.0 million. The shares can be repurchased in open market transactions or privately negotiated transactions at the Company s discretion.

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Item 6. ***Selected Financial Data***

The following selected financial data are qualified by reference to, and should be read together with, our Audited Consolidated Financial Statements and Notes to Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations appearing elsewhere in this Annual Report on Form 10-K. The selected statement of income data set forth below for the fiscal years ended April 30, 2016, 2015 and 2014 and the selected balance sheet data as of April 30, 2016 and 2015 are derived from our consolidated financial statements, audited by Ernst & Young LLP, appearing elsewhere in this Form 10-K. The selected balance sheet data as of April 30, 2014, 2013 and 2012 and the selected statement of income data set forth below for the fiscal years ended April 30, 2013 and 2012 are derived from consolidated financial statements and notes thereto which are not included in this Form 10-K report and were audited by Ernst & Young LLP.

	Year Ended April 30,				
	2016 (1)	**2015 (2)**	**2014**	**2013 (3)**	**2012**
	(in thousands, except per share data and other operating data)				
Selected Statement of Income Data:					
Fee revenue	$ 1,292,112	$ 1,028,152	$ 960,301	$ 812,831	$ 790,505
Reimbursed out-of-pocket engagement expenses	54,602	37,914	35,258	36,870	36,254
Total revenue	1,346,714	1,066,066	995,559	849,701	826,759
Compensation and benefits	897,345	691,450	646,889	555,346	534,186
General and administrative expenses	213,018	145,917	152,040	142,771	138,872
Reimbursed expenses	54,602	37,914	35,258	36,870	36,254
Cost of services	59,824	39,692	39,910	28,977	19,635
Depreciation and amortization	36,220	27,597	26,172	19,004	14,017
Restructuring charges, net (4)	33,013	9,468	3,682	22,857	929
Total operating expenses	1,294,022	952,038	903,951	805,825	743,893
Operating income	52,692	114,028	91,608	43,876	82,866
Other (loss) income, net	(4,167)	7,458	9,769	6,309	(271)
Interest income (expense), net	237	(1,784)	(2,363)	(2,365)	(1,791)
Equity in earnings of unconsolidated subsidiaries, net	1,631	2,181	2,169	2,110	1,850
Income tax provision	18,960	33,526	28,492	16,637	28,351
Net income	31,433	88,357	72,691	33,293	54,303
Net income attributable to noncontrolling interest	(520)				
Net income attributable to Korn/Ferry International	$ 30,913	$ 88,357	$ 72,691	$ 33,293	$ 54,303
Basic earnings per share	$ 0.58	$ 1.78	$ 1.51	$ 0.71	$ 1.17
Diluted earnings per share	$ 0.58	$ 1.76	$ 1.48	$ 0.70	$ 1.15
Basic weighted average common shares outstanding	52,372	49,052	48,162	47,224	46,397
	52,929	49,766	49,145	47,883	47,261

Diluted weighted average common shares outstanding					
Cash dividends declared per common share	$ 0.40	$ 0.10	$	$	$
Other Operating Data:					
Fee revenue by business segment:					
Executive search:					
North America	$ 371,345	$ 330,634	$ 306,768	$ 290,317	$ 305,717
EMEA	144,319	153,465	147,917	128,807	141,409
Asia Pacific	80,506	84,148	84,816	73,221	82,230
Latin America	26,744	29,160	29,374	30,134	31,846
Total executive search	622,914	597,407	568,875	522,479	561,202
Hay Group	471,145	267,018	254,636	168,115	115,407
Futurestep	198,053	163,727	136,790	122,237	113,896
Total fee revenue	$ 1,292,112	$ 1,028,152	$ 960,301	$ 812,831	$ 790,505

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	Year Ended April 30, 2016 (1)	2015 (2)	2014	2013 (3)	2012
	(in thousands, except per share data and other operating data)				
Number of offices (at period end) (5)	150	78	84	87	76
Number of consultants (at period end)	1,164	694	646	607	522
Number of new engagements opened	7,430	6,755	6,483	6,126	6,776
Number of full-time employees:					
Executive search	1,682	1,562	1,566	1,471	1,471
Hay Group	3,626	894	794	886	291
Futurestep	1,530	1,147	958	835	826
Corporate	109	84	78	80	66
Total full-time employees	6,947	3,687	3,396	3,272	2,654
Selected Balance Sheet Data as of April 30:					
Cash and cash equivalents	$ 273,252	$ 380,838	$ 333,717	$ 224,066	$ 282,005
Marketable securities (6)	141,430	144,576	134,559	141,916	135,734
Working capital	188,010	331,148	270,535	175,038	267,513
Total assets	1,898,600	1,317,801	1,233,666	1,115,229	1,014,689
Long-term obligations	375,035	196,542	191,197	182,210	163,489
Total stockholders equity	1,047,301	815,249	755,536	664,468	629,476

(1) Due to the acquisition of Legacy Hay Group, which accounted for $186.8 million and $740.2 million of fee revenue and total assets, respectively, during fiscal 2016, financial data trends for fiscal 2016 are not comparable to prior periods. See Note 12 *Acquisitions*, in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for discussion of fiscal 2016 acquisitions.

(2) Due to the acquisition of Pivot Leadership, which accounted for $3.7 million and $20.0 million of fee revenue and total assets, respectively, during fiscal 2015, financial data trends for fiscal 2015 are not comparable to prior periods. See Note 12 *Acquisitions*, in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for discussion of fiscal 2015 acquisitions.

(3) Due to the acquisitions of PDI and Global Novations, which collectively accounted for $45.6 million and $162.4 million of fee revenue and total assets, respectively, during fiscal 2013, financial data trends for fiscal years 2016, 2015, 2014 and 2013 are not comparable to prior periods.

(4) During fiscal 2016, the Company implemented a restructuring plan in order to rationalize its cost structure by eliminating redundant positions and consolidating office space due to the acquisition of Legacy Hay Group on December 1, 2015. As a result, we recorded $33.0 million in restructuring charges, of which $32.1 million related to severance and $0.9 million related to consolidation and abandonment of premises. In fiscal 2015, the Company took actions to rationalize its cost structure as a result of efficiencies obtained from prior year technology investments that enabled further integration of the legacy business and the recent acquisitions (PDI and Global Novations), as well as other cost saving initiatives. As a result, we recorded $9.2 million of severance and $0.3

million relating to the consolidation/abandonment of premises. In fiscal 2014, the Company continued the implementation of the fiscal 2013 restructuring plan in order to integrate the prior year acquisitions by consolidating and eliminating certain redundant office space around the world and by continuing to consolidate certain overhead functions. As a result, we recorded $0.8 million and $16.3 million of severance during fiscal 2014 and 2013, respectively, and $2.9 million and $6.5 million related to the consolidation of premises during fiscal 2014 and 2013, respectively. During fiscal 2012, we increased our previously recorded restructuring charges by $0.9 million, primarily related to the inability to sublease space, which was included in the original estimate.

(5) The number of offices increased by 72 as of April 30, 2016 compared to 2015, due to the acquisition of Legacy Hay Group in fiscal 2016.

(6) As of April 30, 2016, 2015, 2014, 2013 and 2012, the Company s marketable securities included $141.4 million, $131.4 million, $116.2 million, $98.0 million, and $82.2 million, respectively, held in trust for settlement of the Company s obligations under certain of its deferred compensation plans. See Note 5 *Marketable Securities* in the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

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Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

Forward-looking Statements

This Annual Report on Form 10-K may contain certain statements that we believe are, or may be considered to be, forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally can be identified by use of statements that include phrases such as believe, expect, anticipate, intend, plan, foresee, may, will, likely, estimates, potential, continue or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statement. The principal risk factors that could cause actual performance and future actions to differ materially from the forward-looking statements include, but are not limited to, dependence on attracting and retaining qualified and experienced consultants, maintaining our brand name and professional reputation, potential legal liability and regulatory developments, portability of client relationships, global and local political or economic developments in or affecting countries where we have operations, currency fluctuations in our international operations, risks related to growth, restrictions imposed by off-limits agreements, competition, reliance on information processing systems, cyber security vulnerabilities, limited protection of our intellectual property, our ability to enhance and develop new technology, our ability to successfully recover from a disaster or business continuity problems, employment liability risk, an impairment in the carrying value of goodwill and other intangible assets, deferred tax assets that we may not be able to use, our ability to develop new products and services, changes in our accounting estimates and assumptions, alignment of our cost structure, risks related to the integration of recently acquired businesses, the utilization and billing rates of our consultants, seasonality and the matters disclosed under the heading Risk Factors in the Company s Exchange Act reports, including Item 1A included in this Annual Report. Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Annual Report on Form 10-K are made only as of the date of this Annual Report on Form 10-K and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

The following presentation of management s discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included in this Annual Report on Form 10-K.

Executive Summary

Korn/Ferry International (referred to herein as the Company, Korn Ferry, or in the first person notations we, our, ar us) is the preeminent global people and organizational advisory firm. Our services include Executive Search, advisory solutions and products through Hay Group and recruitment for non-executive professionals and recruitment process outsourcing (RPO) through Futurestep. Approximately 73% of the executive searches we performed in fiscal 2016 were for board level, chief executive and other senior executive and general management positions. Our 5,575 search engagement clients in fiscal 2016 included many of the world s largest and most prestigious public and private companies, including approximately 54% of the FORTUNE 500, middle market and emerging growth companies, as well as government and nonprofit organizations. We have built strong client loyalty, with 84% of assignments performed (without giving effect to Legacy Hay Group assignments) during fiscal 2016 having been on behalf of clients for whom we had conducted assignments in the previous three fiscal years. Approximately 62% of our revenues were generated from clients that utilize multiple lines of business.

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Superior performance comes from having the right conditions for success in two key areas the organization and its people. Organizational conditions encourage people to put forth their best effort and invest their energy towards achieving the organization s purpose. We can help operationalize a client s complete strategy or address any combination of six broad categories:

Organization Design	We establish the conditions for success by clarifying strategy; designing an operating model and organization structure that aligns to it; and defining a high performance culture. We enable strategic change by engaging and motivating people to perform.
Talent Strategy and Work Design	We map talent strategy to business strategy and help organizations put their plan into action. We make sure they have the right people, in the right roles, engaged and enabled to do the right things both now and in the future.
Rewards and Benefits	We help organizations align reward with strategy. We help them pay their people fairly for doing the right things with rewards they value at a cost the organization can afford.
Assessment and Succession	We provide actionable, research-backed insight that allows organizations to understand the talent they have, benchmarked against the talent they need to deliver on the business strategy.
	Our assessments allow leaders to make the right decisions about their people for today, and to prepare that the right leaders to be ready when and where they are needed in the future.
Executive Search and Recruitment	We integrate scientific research with our practical experience and industry-specific expertise to recruit professionals of all levels and functions at organizations across every sector.
Leadership Development	We combine expertise, science, and proven techniques with forward thinking and creativity to build leadership experiences that help entry-to senior-level leaders grow and deliver superior results.

During fiscal 2016, we implemented a restructuring plan in order to rationalize our cost structure in order to eliminate redundant positions and real estate that were created due to the acquisition of Legacy Hay Group. In particular, the majority of our efforts in fiscal 2016, were focused on activities associated with integration of our go-to-market activities, our intellectual property and content, our solution sets and service offerings, and our back office systems and business processes. As a result of these efforts throughout the year, we recorded $33.0 million of restructuring charges with $32.1 million relating to severance costs and $0.9 million relating to the consolidation/abandonment of premises during fiscal 2016. During fiscal 2015, the Company took actions to rationalize its cost structure as a result of efficiencies obtained from prior year technology investments that enabled further integration of the legacy business and previous year acquisitions (PDI and Global Novations, LLC) as well as other cost saving initiatives. As a result, we recorded $9.5 million in restructuring charges, net in fiscal 2015, of which $9.2 million relates to severance and $0.3 million related to consolidation/abandonment of premises. As previously disclosed, the integration of Legacy Hay Group will be substantially complete in the first quarter of fiscal 2017, which will include additional consolidation of office space and the elimination of other redundant operational and general and administrative expenses. We estimate the cost of these actions to be in the range of $20 million to $26 million, resulting in incremental annualized savings of approximately $17 million to $23 million.

The Company currently operates in three global business segments: Executive Search, Hay Group and Futurestep. See Note 11 *Business Segments,* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K, for discussion of the Company s global business segments. The Company evaluates performance and allocates resources based on the chief operating decision maker s review of (1) fee

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revenue and (2) adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). To the extent that such charges occur, Adjusted EBITDA excludes restructuring charges, integration/acquisition costs, certain separation costs and certain non-cash charges (goodwill, intangible asset and other than temporary impairment). For the year ended April 30, 2016, adjusted EBITDA includes a deferred revenue adjustment related to the Legacy Hay Group acquisition, reflecting revenue that Hay Group would have realized if not for business combination accounting that requires a company to record the acquisition balance sheet at fair value and write-off deferred revenue where no future services are required to be performed to earn that revenue. Management will no longer have adjusted fee revenue after Q1 FY 17. Adjusted EBITDA is a non-GAAP financial measure. It has limitations as an analytical tool, should not be viewed as a substitute for financial information determined in accordance with U.S. generally accepted accounting principles (GAAP), and should not be considered in isolation or as a substitute for analysis of the Company s results as reported under GAAP. In addition, it may not necessarily be comparable to non-GAAP performance measures that may be presented by other companies. Management believes the presentation of this non-GAAP financial measure provides meaningful supplemental information regarding Korn Ferry s performance by excluding certain charges, items of income and other items that may not be indicative of Korn Ferry s ongoing operating results. The use of this non-GAAP financial measure facilitates comparisons to Korn Ferry s historical performance and identification of operating trends that may otherwise be distorted by certain charges and other items that may not be indicative of Korn Ferry s ongoing operating results. Korn Ferry includes this non-GAAP financial measure because management believes it is useful to investors in allowing for greater transparency with respect to supplemental information used by management in its evaluation of Korn Ferry s ongoing operations and financial and operational decision-making. The accounting policies for the reportable segments are the same as those described in the summary of significant accounting policies in the accompanying consolidated financial statements, except that the above noted items are excluded from EBITDA to arrive at Adjusted EBITDA.

Fee revenue increased $263.9 million, or 26% in fiscal 2016 to $1,292.1 million compared to $1,028.2 million in fiscal 2015, with increases in fee revenue in all business segments. The acquisition of Legacy Hay Group contributed $186.8 million in fee revenue in fiscal 2016. During fiscal 2016, we recorded operating income of $52.7 million with Executive Search and Futurestep segments contributing $131.7 million and $26.7 million, respectively, offset by the operating losses from Hay Group and Corporate segments of $3.4 million and $102.3 million, respectively. Net income for fiscal 2016 and 2015 was $30.9 million and $88.4 million, respectively. Adjusted EBITDA was $189.7 million for fiscal 2016 with Executive Search, Hay Group and Futurestep segments contributing $151.7 million, $78.9 million, and $29.5 million, respectively, offset by corporate expenses net of other income and equity in earnings of unconsolidated subsidiaries of $70.4 million. Adjusted EBITDA increased $28.0 million during fiscal 2016, from Adjusted EBITDA of $161.7 million during fiscal 2015.

Our cash, cash equivalents and marketable securities decreased $110.7 million, or 21%, to $414.7 million at April 30, 2016, compared to $525.4 million at April 30, 2015. This decrease is mainly due to $256.1 million used to acquire Legacy Hay Group, bonuses earned in fiscal 2015 and paid during the first quarter of fiscal 2016 and $21.8 million in dividends paid during fiscal 2016, partially offset by $140.0 million in cash borrowed from the term facility, net of principal payments and cash provided by operating activities. As of April 30, 2016, we held marketable securities to settle obligations under our Executive Capital Accumulation Plan (ECAP) with a cost value of $142.6 million and a fair value of $141.4 million. Our vested and unvested obligations for which these assets were held in trust totaled $138.8 million as of April 30, 2016.

Our working capital decreased by $143.1 million to $188.0 million in fiscal 2016. We believe that cash on hand and funds from operations and other forms of liquidity will be sufficient to meet our anticipated working capital, capital expenditures, general corporate requirements, repayment of the debt obligations incurred in connection with the Legacy Hay Group acquisition, the retention pool obligations pursuant to the Legacy Hay Group acquisition and dividend payments under our dividend policy in the next twelve months. We had no outstanding borrowings under our revolving credit facility at April 30, 2016 or 2015. However, on November 23, 2015 the Company borrowed $150 million from its term loan facility with Wells Fargo Bank, to finance a portion of the Legacy Hay Group acquisition purchase price. As of April 30, 2016 and 2015, there was $2.8 million of standby letters of credit issued under our long-term debt arrangements. We have a total of $6.4 million and $1.6 million of standby letters of credits with other financial institutions as of April 30, 2016 and 2015, respectively. On June 15, 2016, the Company entered into a new senior secured $400 million Credit Agreement with a syndicate of banks made up of $275 million term loan and $125 million of secured revolving loans. We drew down $275 million on the term loan and used $140 million of the proceeds to pay-off the term loan that was outstanding as of April 30, 2016. The remaining funds will be used for working capital and general corporate purposes.

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements. Preparation of our periodic filings requires us to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions and changes in the estimates are reported in current operations as new information is learned or upon the amounts becoming fixed and determinable. In preparing our consolidated financial statements and accounting for the underlying transactions and balances, we apply our accounting policies as disclosed in the notes to our consolidated financial statements. We consider the policies discussed below as critical to an understanding of our consolidated financial statements because their application places the most significant demands on management s judgment and estimates. Specific risks for these critical accounting policies are described in the following paragraphs. Senior management has discussed the development, selection and key assumptions of the critical accounting estimates with the Audit Committee of the Board of Directors.

Revenue Recognition. Management is required to establish policies and procedures to ensure that revenue is recorded over the performance period for valid engagements and related costs are matched against such revenue. We provide professional services related to executive search performed on a retained basis, recruitment for non-executive professionals, recruitment process outsourcing, leadership & talent consulting services and the sale of productized services. Fee revenue from executive search activities and recruitment for non-executive professionals is generally one-third of the estimated first year compensation of the placed executive or non-executive professional, as applicable, plus a percentage of the fee to cover indirect engagement related expenses. The Company generally recognizes revenue on a straight-line basis over a three-month period, commencing upon client acceptance, as this is the period over which the recruitment services are performed. Fees earned in excess of the initial contract amount are recognized upon completion of the engagement, which reflect the difference between the final actual compensation of the placed executive and the estimate used for purposes of the previous billings. Since the initial fees are typically not contingent upon placement of a candidate, our assumptions primarily relate to establishing the period over which such service is performed. These assumptions determine the timing of revenue recognition and profitability for the reported period. If these assumptions do not accurately reflect the period over which revenue is earned, revenue and profit could differ. Any revenue associated with services that are provided on a contingent basis is recognized once the contingency is resolved. In addition to recruitment for non-executive professionals, Futurestep provides RPO services and fee revenue is recognized as services are rendered and/or as milestones are achieved. Fee revenue from Hay Group services is recognized as services are rendered for consulting engagements and other time based services, measured by total hours incurred to the total estimated hours at completion. It is possible that updated estimates for the consulting engagement may vary from initial estimates with such updates being recognized in the period of determination. Depending on the timing of billings and services rendered, the Company accrues or defers revenue as appropriate. Hay Group revenue is also derived from the sale of productized services, which includes revenue from licenses and from the sale of products. Revenue from licenses is recognized using a straight-line method over the term of the contract (generally 12 months). Under the fixed term licenses, the Company is obligated to provide the licensee with access to any updates to the underlying intellectual property that are made by the Company during the term of the license. Once the term of the agreement expires, the client s right to access or

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use the intellectual property expires and the Company has no further obligations to the client under the license agreement. Revenue from perpetual licenses is recognized when the license is sold since the Company s only obligation is to provide the client access to the intellectual property but is not obligated to provide maintenance, support, updates or upgrades. Products sold by the Company mainly consist of books and automated services covering a variety of topics including performance management, team effectiveness and coaching and development. The Company recognizes revenue for its products when the product has been sold or shipped in the case of books. Furthermore, a provision for doubtful accounts on recognized revenue is established with a charge to general and administrative expenses based on historical loss experience, assessment of the collectability of specific accounts, as well as expectations of future collections based upon trends and the type of work for which services are rendered.

Annual Performance Related Bonuses. Each quarter, management makes its best estimate of its annual performance related bonuses, which requires management to, among other things, project annual consultant productivity (as measured by engagement fees billed and collected by executive search consultants and revenue and other performance metrics for Hay Group and Futurestep consultants), the level of engagements referred by a fee earner in one line of business to a different line of business, Company performance including profitability, competitive forces and future economic conditions and their impact on our results. At the end of each fiscal year, annual performance related bonuses take into account final individual consultant productivity (including referred work), Company results including profitability, the achievement of strategic objectives, the results of individual performance appraisals, and the current economic landscape. Because annual performance-based bonuses are communicated and paid only after the Company reports its full fiscal year results, actual performance-based bonus payments may differ from the prior year s estimate. Such changes in the bonus estimate historically have been immaterial and are recorded in current operations in the period in which they are determined.

Deferred Compensation. Estimating deferred compensation requires assumptions regarding the timing and probability of payments of benefits to participants and the discount rate. Changes in these assumptions could significantly impact the liability and related cost on our consolidated balance sheet and statement of income, respectively. For certain deferred compensation plans, management engages an independent actuary to periodically review these assumptions in order to confirm that they reflect the population and economics of our deferred compensation plans in all material respects and to assist us in estimating our deferred compensation liability and the related cost. The actuarial assumptions we use may differ from actual results due to changing market conditions or changes in the participant population. These differences could have a significant impact on our deferred compensation liability and the related cost.

Carrying Values. Valuations are required under GAAP to determine the carrying value of various assets. Our most significant assets for which management is required to prepare valuations are carrying value of receivables, goodwill, intangible assets, fair value of contingent consideration, and recoverability of deferred income taxes. Management must identify whether events have occurred that may impact the carrying value of these assets and make assumptions regarding future events, such as cash flows and profitability. Differences between the assumptions used to prepare these valuations and actual results could materially impact the carrying amount of these assets and our operating results.

Of the assets mentioned above, goodwill is the largest asset requiring a valuation. Fair value of goodwill for purposes of the goodwill impairment test is determined utilizing 1) a discounted cash flow analysis based on forecast cash flows (including estimated underlying revenue and operating income growth rates) discounted using an estimated weighted-average cost of capital for market participants and 2) a market approach, utilizing observable market data such as comparable companies in similar lines of business that are publicly traded or which are part of a public or private transaction (to the extent available). The Company also reconciles the results of these analyses to its market capitalization. If the carrying amount of a reporting unit exceeds its estimated fair value, goodwill is considered potentially impaired and further tests are performed to measure the amount of impairment loss, if any. We recorded no goodwill impairment in conjunction with our annual goodwill impairment assessment performed as of January 31, 2016. While historical performance and current expectations

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have resulted in fair values of goodwill in excess of carrying values, if our assumptions are not realized, it is possible that in the future an impairment charge may need to be recorded. However, it is not possible at this time to determine if an impairment charge would result or if such a charge would be material. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment test will prove to be accurate predictions of the future. As of our testing date, the fair value of each reporting unit exceeded its carrying amount and no reporting units were at risk of failing the impairment test. As a result, no impairment charge was recognized. There was also no indication of potential impairment during the fourth quarter of fiscal 2016 that would have required further testing.

Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of the reporting units may include such items as follows:

- A prolonged downturn in the business environment in which the reporting units operate;
- An economic climate that significantly differs from our future profitability assumptions in timing or degree;
- The deterioration of the labor markets; and
- Volatility in equity and debt markets.

Results of Operations

The following table summarizes the results of our operations as a percentage of fee revenue:

	Year Ended April 30,		
	2016	**2015**	**2014**
Fee revenue	100.0%	100.0%	100.0%
Reimbursed out-of-pocket engagement expenses	4.2	3.7	3.7
Total revenue	104.2	103.7	103.7
Compensation and benefits	69.4	67.2	67.4
General and administrative expenses	16.5	14.2	15.8
Reimbursed expenses	4.2	3.7	3.7
Cost of services	4.6	3.9	4.2
Depreciation and amortization	2.8	2.7	2.7
Restructuring charges, net	2.6	0.9	0.4
Operating income	4.1	11.1	9.5
Net income	2.4%	8.6%	7.6%

Net income attributable to Korn/Ferry International	2.4%	8.6%	7.6%

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The following tables summarize the results of our operations by business segment:

	Year Ended April 30,					
	2016		2015		2014	
	Dollars	%	Dollars	%	Dollars	%
	(dollars in thousands)					
Fee revenue						
Executive Search:						
North America	$ 371,345	28.7%	$ 330,634	32.2%	$ 306,768	31.9%
EMEA	144,319	11.2	153,465	14.9	147,917	15.4
Asia Pacific	80,506	6.2	84,148	8.2	84,816	8.8
Latin America	26,744	2.1	29,160	2.8	29,374	3.1