Korn Ferry
Third Quarter Fiscal Year 2024 Earnings Release
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Presenters
Gary Burnison, Chief Executive Officer
Bob Rozek, Chief Financial Officer
Gregg Kvochak, Senior Vice President, Business Development and Analytics
Tiffany Louder, Vice President, IR

Q&A Participants
Trevor Romeo – William Blair
George Tong – Goldman Sachs
Josh Chan – UBS
Andre Childress – Baird
Tobey Sommer – Truist

Operator
Ladies and gentlemen, thank you for standing by, and welcome to the Korn Ferry Third Quarter Fiscal Year 2024 Conference Call. At this time, all participants are in a listen-only mode. Following the prepared remarks, we will conduct a question and answer session. As a reminder, this conference call is being recorded for replay purposes. We have also made available in the Investor Relations section of our website at kornferry.com, a copy of the financial presentation that we will be reviewing with you today.

Before I turn the call over to your host, Mr. Gary Burnison, let me first read a cautionary statement to investors. Certain statements made in the call today, such as those relating to future performance, plans and goals, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although the company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, investors are cautioned not to place undue reliance on such statements.

Actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties which are beyond the company's control. Additional information concerning such risks and uncertainties can be found in the release relating to this presentation and in the periodic and other reports filed by the company with the SEC, including the company's annual report for fiscal year 2023 and the company's soon-to-be-filed quarterly report for the quarter ended January 31st, 2024.

Also, some of the comments today may reference non-GAAP financial measures, such as constant currency amounts, EBITDA and adjusted EBITDA. Additional information concerning these measures, including reconciliations to the most directly comparable GAAP financial measure is contained in the financial presentation and earnings release relating to this call, both of which are posted in the Investor Relations section of the company's website at www.kornferry.com.

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

Gary Burnison
Okay. Thank you, Greg, and good afternoon, everybody. Number one, I'm enormously proud of our organization and how we continue to acclimate, innovate and align our business to the opportunity ahead. Clearly, the strategy is working. The results for the quarter, we did about $669 million of fee revenue, which was down 2%, but the terms of the strategy working, our non-search offerings provided a substantial buffer against the more cyclically sensitive recruiting offerings.

Earnings and profitability were also good, 15.2% EBITDA margin. And the revenue from Consulting and Digital, when combined with our Interim business, now represent 50% of our topline. And during the quarter, our Consulting bill rate increased 12% and our Digital Subscription & License revenue increased 11% over the prior year. In today's world, as organizations toggle between perform and transform, it's clear that vertical is out and horizontal is in, and that's exactly the same for us and it's gratifying to see the results of this cross-firm collaboration strategy.

Today, we're approaching almost $3 billion in fee revenue with a balanced portfolio across solutions and geographies, that's now generating over a third of our fee revenue from our very successful Marquee and Regional account program, where just four short years ago, our top five Marquee and Regional accounts averaged around $19 million per account, with the largest at $26 million. Compared to today, where our top five average almost $30 million, and our largest account has a run-rate of almost $50 million, driven to a large extent by this horizontal approach by our cross-line of business referrals, which today generate about a quarter of our fee revenue. And further to that point, when I look at our $350 million plus Digital business, today, 30% of our fee revenue is generated from consulting referrals. And we're looking to expand this horizontal focus even further through four primary Digital growth drivers.

Number one, a firm-wide push around Digital sales, Digital offerings. Secondly, increasing our commercial output and sales productivity. Third, enhancing our product offerings, like our talent applications and talent platform. And finally, increasing our Digital revenue through partnerships, including offering joint solutions and opportunities with HR technology providers.

It's clear, given the results over the last few quarters, that we're at the threshold of even greater opportunity. And regardless of the environment, from one cycle to the next, our vision remains unchanged to become the premier organizational consulting firm. Our household brand, unparalleled IP, and diversification strategy will continue to positively influence our performance and accelerate the trajectory of thousands of organizations. Indeed, Korn Ferry is uniquely positioned as a firm relentlessly focused on synchronizing strategy, operations and talent, a firm that offers increasing relevant solutions in a rapidly changing world and I think we're only really scratching the surface of what we can become.

With those short remarks, I'm joined by Tiffany, Gregg, and Bob. And Bob, I think I'll turn it over to you next.

Bob Rozek
Great. Thanks, Gary, and good afternoon and good morning. Before I jump into the numbers, I just want to highlight a couple of points. First, I think the third quarter was a very good quarter and I'm extremely proud of my Korn Ferry colleagues and all that they've accomplished. Second, equally as important, I think, our performance this quarter continues to demonstrate that our strategy is working.

Third quarter results were ahead of our expectations and really marked a strong start to the back half of our fiscal year. Both earnings and profitability improved year-over-year and sequentially, despite seasonally lower fee revenue, a result of increasing productivity by leveraging our cost base, again, an overall positive scorecard for our broader diversification strategy. We're excited about and confident in this strategy as it continues to play out just as we expected and have talked about, with resilience and growth in our Consulting and Digital business offsetting cyclical moderation and portions of our talent acquisition offerings.

We continue to leverage existing client relationships, our colleagues across lines of business and our unique IP data and content to drive topline synergies with a particular focus on our Marquee and Regional accounts, as you heard Gary talk about that. A number of our key operating statistics improved in the quarter. We had higher hourly bill rates in both Consulting and Interim, which are up 12% and 21% year-over-year and are really reflective of the exceptional value and impact our services deliver to our clients.

Our Subscription & License fee revenue in Digital increased 11% year-over-year and was actually 38% of Digital's total new business for the third quarter, which illustrates the underlying strength and relevance of our data and solutions, as well as contributing to increasing fee revenue stability going forward. Equally important, I'm pleased with the year-over-year and sequential growth of our earnings and profitability. The adjusted EBITDA margin was 15.2% in the third quarter, with Digital, Consulting and RPO all improving their profitability, both year-over-year and sequentially, and Exec Search improving sequentially.

Last, I'd like to highlight our balanced approach to deploying capital, specifically capital return to shareholders. In addition to our substantial dividend increase last quarter, this quarter we increased our share repurchases, acquiring 383,000 shares, which brings our year-to-date share repurchase to 565,000 shares. A total of $67 million has been returned to shareholders through a combination of dividends and share repurchases year-to-date, and our Board just approved another dividend of $0.33 a share that's payable on April 15th.

Now, let me turn the call over to Gregg, who will take you through some overall company financial highlights.

Gregg Kvochak
Okay. Thanks, Bob. In the third quarter, which is typically seasonally slower, global fee revenue was $669 million and was down only 2% year-over-year, measured at both actual rates and at constant currency. By line of business, Consulting and Digital grew 3% and 6% respectively, year-over-year, and combined generated 38% of total fee revenue in the third quarter. Fee revenue moderation in the third quarter for most of our talent acquisition solutions continued to stabilize.

Executive Search and RPO were down 6% and 22%, respectively, year-over-year, while Professional Search & Interim were up 11% year-over-year, primarily driven by Salo, which was acquired in November of 2022. Consolidated new business in the third quarter, excluding RPO, was flat year-over-year at both actual rates and at constant currency. By line of business, Digital new business grew 2% year-over-year. Consulting was flat year-over-year, and Professional Search & Interim was up 9% year-over-year, driven in part by the acquisition of Salo.

Executive Search new business was down 6% year-over-year, with recent monthly data points indicating that global demand is stabilizing. For RPO, new business in the third quarter was strong at $122 million and includes $83 million of renewals and extensions, and $39 million of new logo wins. Exiting the third quarter and entering our fourth quarter, consolidated new business trends continue to improve. Excluding RPO, consolidated new business was up 11% and approximately 5% organically year-over-year in January and in-line with expectations in February.

Earnings and profitability also continue to improve in the third quarter. Adjusted EBITDA in the third quarter grew 6% year-over-year to $102 million with an adjusted EBITDA margin of 15.2% and was up 3% sequentially with a 120-basis-point improvement in margin despite seasonally slower fee revenue. Strong cost controls and greater consultant and execution staff productivity continues to drive growth and profitability, which has now improved sequentially for three consecutive quarters.

Finally, our adjusted diluted earnings per share in the third quarter were $1.07, up 6% year-over-year and up 10% sequentially. Adjusted fully diluted earnings per share exclude $6.4 million or $0.12 per share of after-tax restructuring and acquisition integration costs, which were positively offset by $9.7 million or $0.18 per share of non-recurring tax benefits. GAAP fully diluted earnings per share were $1.13 in the third quarter.

Our investable cash position at the end of the third quarter remains strong at $496 million and our capital allocation continues to be balanced. Through the end of the third quarter, we deployed $122 million of cash, using $37 million for capital expenditures, $18 million for debt service and returned $67 million to shareholders in combined dividends and share repurchases.

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

Tiffany Louder
Thanks, Gregg. Starting with KF Digital. Global fee revenue in the third quarter was $90 million, which was up 6% year-over-year at actual rates and at constant currency. Digital Subscription & License fee revenue in the third quarter was $33 million, which was approximately 37% of fee revenue for the quarter and up 11% year-over-year. Global new business for KF Digital was $111 million, with $42 million or 38% of the total tied to Subscription & License sales up from 36% last quarter. The overall pipeline for Digital remains strong as we head into the fourth quarter and into the next fiscal year.

For Consulting, fee revenue in the third quarter was $167 million, which was up approximately 3% year-over-year at actual rates and at constant currency. Fee revenue growth was strongest in organizational strategies, which increased 9% year-over-year. Today, we are selling larger and more complex transformational engagements, which use our rich proprietary data to drive unique and differentiated insights.

Consulting's average bill rate continues to climb, now at $438 an hour, which is up over $46 an hour, or 12% from just one year ago. Adjusted EBITDA margins also improved, increasing 40 bps sequentially and by 230 bps year-over-year. Additionally, global new business Consulting in the third quarter was flat year-over-year, with double-digit growth in EMEA and in North America.

Total fee revenue in Professional Search & Interim in the third quarter was $131 million, up $13 million or 11% year-over-year. Breaking down the quarter, year-over-year fee revenue growth was mostly driven by the Interim portion of the business, which offset moderation in the Permanent Placement portion of the segment. Interim fee revenue grew to $78 million from $53 million year-over-year, driven by the recent acquisition of Salo.

Interim's average hourly bill rate has increased to $129 per hour, which is up $22 an hour or over 20% from one year ago and reflective of the added value of being part of the broader Korn Ferry ecosystem. Professional Search and Permanent Placement fee revenue declined by $23 million or 19% year-over-year, to $56 million. Professional Search and Interim new business increased 9% year-over-year in the third quarter, aided by the recent acquisition of Salo.

Moving on to Recruitment Process Outsourcing, new business for the third quarter was $122 million, comprised of $39 million of new logos and $83 million of renewals, which included several Marquee accounts. Total revenue under contract at the end of the quarter was approximately $696 million. Fee revenue in the third quarter totaled $81 million, which was down $23 million or 22% year-over-year at actual rates and constant currency.

Fee revenue was impacted by moderation in hiring volume within the existing base of contracts, as well as labor hoarding conditions, which have continued in the market. Historically, fee revenue averaged 106% of the original contract value, which is why we view the current slowdown in demand as transitory and believe RPO is well-positioned to benefit in client hiring returns to more normalized levels. The pipeline remains strong as RPO continues to renew existing clients and win new business with a differentiated service offering in the marketplace.

Finally, global fee revenue for Executive Search in the third quarter was $199 million, down 6% at actual and 7% at constant currency. Overall, global demand in the third quarter would indicate that demand is stabilizing. Additionally, consultant productivity has improved, driving a year-over-year 222-basis-point improvement in adjusted EBITDA margins.

I will now turn the call back over to Bob to discuss our outlook for the fourth quarter of fiscal 2024.

Bob Rozek
Great. Thanks, Tiffany. Monthly new business trends exiting our third quarter and entering the fourth quarter have begun to stabilize. January new business was up 11%, 5% organically year-over-year. February new business was in line with our expectations, and we are well-positioned to deliver our March new business, which historically is one of our best new business months of the year.

Now, assuming normal monthly seasonal new business patterns and assuming no further changes in worldwide geopolitical conditions, economic conditions, financial markets and foreign exchange rates, we expect fee revenue in the fourth quarter of fiscal 2024 will range from $675 million to $695 million, our adjusted EBITDA margin to improve to approximately 15.3% to 15.4%, or I'm sorry, 15.5%, and our consolidated adjusted diluted earnings per share to range from $1.09 to $1.17. Finally, we expect our GAAP diluted earnings per share in the fourth quarter to range from $1.06 to $1.14.

Now in closing, we've made substantial progress as demonstrated by our continuing performance in delivering our strategic plan to lead the market in organizational consulting. Our topline diversification continues to serve us well as the non-permanent placement talent acquisition portions of the business, which represent almost 50% of fee revenues Gary mentioned, remain on track to deliver consistent growth.

Our IP, data and science-backed services and solutions continue to differentiate us in this war for the best talent. Further, our strong cost-based management really positions us to deliver continuing improvements in earnings and profitability and positions us to successfully continue our balanced approach to capital deployment. As I always say, we're at the beginning of what's going to be a very long ballgame and I truly believe our best is yet to come.

With that, we'd like to answer any questions that you may have.

Operator
Ladies and gentlemen, if you'd like to ask a question, please press one then zero on your telephone keypad. You may withdraw your question at any time by repeating the one, zero, command. If you are using a speaker phone, please pick up the handset before pressing the numbers. Once again, if you have a question, please press one then zero at this time, and one moment please for your first question.

Your first question comes from the line of Trevor Romeo from William Blair. Please go ahead.

Trevor Romeo
Hi. Thanks so much for taking the questions here. The first one is just kind of on the overall macro and demand backdrop. I think if you look at some of the CEO confidence surveys, we've seen those increase a little bit so far in the last couple of months. I think the capital markets backdrop feels a bit more stable. It seems like maybe fewer people are talking about a severe recession now. So I guess, how much change have you started to see in overall demand sentiment and what do you think from this point could be a catalyst to start seeing a more significant demand recovery?

Gary Burnison
Well, the latter part is a tough question. Clearly, we've seen those same trends for sure. As I talked about on the last earnings call, that my expectation was you'd start to see deflationary pressures. I think you're starting to see that for sure. Obviously, everybody is on pins and needles with respect to the Fed, but I still--what I've said for some time, I think, we're in the middle of a multi-quarter reset and back to a period of time where rates would be at more normalized levels from a period of two to three decades of very cheap money, and I think companies are adjusting to that reality.

And what that is creating is a focus on organizations to have a more horizontal approach, less vertical, more horizontal, and perform at the same time they transform, which creates opportunities for our Consulting business in Digital offerings, which is exactly what you're seeing. And CEOs are looking not just at their strategy and how to be more horizontal but looking at their leadership and their talent. And I think that's reflective of the engagements that we're winning today.

I would say that there--as I was listening to Tiffany and Gregg and Bob, the word that kept coming up was stabilizing and I think that is absolutely true, for sure. And I do think there's some green shoots, and it's hard to--again, I'm not going to say that two months or three months make a trend, but certainly when you look at the most cyclical parts of at least our business. You take, for example, Pro Search, number one.

We have seen an uplift in volume, and we think that uplift is 15% to 20% over the last few months and that's what we're expecting in the fourth quarter. That's what February delivered. So I think that's a very positive sign, and Interim has also stabilized as well. So I think for us, I think those are two good green shoots, and I think they do portray a positive sign for the labor market.

Trevor Romeo
Okay. Thanks. Thanks, Gary. That's helpful. Maybe a follow-up on margins, nice improvement to 15% EBITDA in the quarter. Looks like a little bit of further improvement in the guidance. As we think about kind of modeling margins maybe beyond the next quarter, can you talk about some of the puts and takes, and maybe base case for fiscal 2025 and how quickly you could get back to that 16% to 18% target range you're looking for?

Gary Burnison
Well, that is the longer term, targeted 16% to 18%. If I just dial it back before the pandemic on an apples-to-apples basis, so adjusting for the mixed shift as we entered this new business called Interim, which today is about $350 million, it was zero four and a half years ago. That impacts the margin compares by 200 basis points to 250 basis points. So when you adjust for that, pre-pandemic we were running 12%, 12.5% pro forma adjusted for the mixed margin. Today we're at 15%. So profitability is substantially ahead of where it was pre-pandemic.

The business is up, call it--third topline is up kind of 30% from the pre-pandemic levels. Both of those data points I'm extremely proud on. We have to deliver profitable revenue growth and we do think there's some upside in the EBITDA margin. And when that can crank up to 16% to 18%, I think part of that depends on the Fed and what a more normalized rate environment is going to look like. The Search business today is, call it, $800 million. I mean, it got to as high as $930 million, which probably isn't a good compare. But clearly there's a lot of room there. There's room on Pro Search. There's room on Interim. I think the Consulting business, we're scratching the surface.

So at the end of the day, in this kind of business, it's really about the topline and that's why we've got a strategy really focused on One Korn Ferry, a horizontal approach to going to market and I think that's reflective in the data around our Marquee and Regional accounts, as well as the cross referrals, but we do think there's upside on the EBITDA margin.

Trevor Romeo
Okay. Thank you. That was helpful. I'll turn it over.

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

George Tong

Hi. Thanks. Good morning. Your Consulting and Digital businesses are seeing good growth and you're making inroads with your Interim Search business. Can you provide some additional stats on cross-referrals and cross-selling involving these lines of businesses across the broader organization?

Gary Burnison

Digital is a huge opportunity for us. When we look at the cross referrals into the Digital offerings, it's been underweighted compared to the rest of the portfolio. And so the cross - referrals, George, for this quarter, I think it was about 25%. Year-to-date I think is about 25%, something like that.

The cross referral percentages into Pro Search, Interim, substantially higher, like way higher. RPO is the same thing, historically, maybe not as much recently. Digital is an undersized penetration that we have to get at and that's opportunity for us.

And I think right off the top of my head, George, I want to say that that cross referral percentage into Interim is probably, and Bob, can correct me on all this, but it's probably like 15% or so. Consulting, which is a good sign, that cross-referral percentage into Digital is like 30%. But for a firm overall, it's underweighted, underweighted which creates nothing but opportunity for us.

Bob Rozek

Yeah. George, Bob, just maybe a little bit more color on the Interim. So if you go back to the point in time when we acquired Lucas Group and you roll the clock forward to today, as a result of those businesses being part of the Korn Ferry ecosystem, we've had somewhere around 1,500 to 1,600 incremental opportunities that were identified between lines of business in Interim and they've won in the neighborhood of like 850 to 900 of those, creating kind of $50 million to $60 million of incremental fee revenue that those businesses never would have gotten had they not been part of our ecosystem.

George Tong

Got it. That's helpful. In recent periods, you've undertaken some cost rationalization actions, most of which are complete at this point. Do you envision needing to take additional cost or head count actions or do you think at this point the organization is right sized for where we are in the cycle?

Gary Burnison

We are always looking at our talent in terms of promotion and development opportunities. That's something we're constantly at work at. No, I don't see any kind of workforce actions other than our normal talent management processes.

Bob Rozek

Yeah. George, I would say from a cost perspective, too, we're managing our BD and travel down to a number that I think is sustainable at this point as the business goes forward. And as I said in the past on the real estate side, we have some opportunities, but the big opportunities are behind us at this point. To me, it's really all about what Gary said earlier. It's productivity and that we're going to get leverage out of the topline growth once the clouds lift.

George Tong
Great. Very helpful. Thank you.

Operator
Your next question comes from the line of Josh Chan from UBS. Please go ahead.

Josh Chan
Good morning. Thanks for taking my questions. On the Digital business, so you've run the business at about 30% margin for the last two quarters now. About a year ago it was 25% to 26% margin. So is the difference mainly the people that have kind of come out of the business? And if that's the case, what does that mean in terms of the long-term growth potential in the Digital business going forward?

Gary Burnison
Well, I think we're scratching the surface of what the Digital business can be. I mean, we have to make sure that we're driving the entire firm across this IP that we have and creating knowledge transfer to clients. And could this be three or four times the size of what it is today, absolutely could be, but we have to invest in the platform, which we're continuing to do.

The profitability is clearly up, not just because of the cost reductions, but also because of the collaboration between Consulting and Digital. I've never seen it to be higher. Clearly, it should be the most profitable part of our business. It creates, I think, enormous opportunity for shareholders.

If we were to do nothing, but double or triple that business, you can imagine what that could do for shareholder value, so it's clearly a focus of ours. But we've taken a very systematic approach to it in trying to build partnerships and an ecosystem and also investing in the platform and the technology platform that we have.

Josh Chan
Okay. Yeah. Thanks for the color there, Gary. Yeah. That's helpful. And on the Consulting side, I guess growth has been sustained by Europe's strength over the last couple quarters, so does Europe continue to look strong on Consulting business or at some point does that become a tougher compare as we kind of look ahead here?

Gary Burnison

Well, clearly, it could be a tougher compare. But I think overall in terms of where the Consulting business is, again, it's the beginning, not the end. We just continue to see. We have a fabulous team, a great leader in Mark Arian. And his strategy was to move the business towards bigger, more impactful, transformational assignments. And the business many years ago started out with assessments and smaller ticket engagements, and over time, through incredible team and the IP that we have and a firm-wide push, we have systematically moved that towards bigger organizational strategy assignments.

And you see it in the numbers. You see it in the bill rate. I mean, that bill rate, and I don't know the exact time, but it's like three years or four years ago, I think that bill rate was sub $300 an hour, now it's $438. That's a combination of everything in the strategy working. So yeah, do the compares get a little bit tougher, for sure they do, no question about it. But in terms of the long-term potential of this business, we're at the beginning.

Bob Rozek
Hey, Josh--

Josh Chan
--Great.

Bob Rozek
The one thing I would add is that as we move through the quarter, we did see talk about green shoots, some positive activities happening in North America as well.

Josh Chan
Oh. Okay. Yeah. That's really helpful. Thanks. Thank you both for your time and congrats on the good quarter.

Gary Burnison
Thanks, Josh. We'll talk to you on Tuesday.

Operator
Your next question comes from the line of Andre Childress from Baird. Please go ahead.

Andre Childress
This is Andre on from Mark Marcon. Thank you for taking our questions. My first question is just a follow-up to some of the prior commentary you just had. Could you provide a little bit more of a breakdown in terms of what you're seeing by major geography between North America, Europe and Asia-Pacific?

Gary Burnison
I'll talk about revenue first. And overall, as a firm, we reported down 2%. EMEA was flat, kind of the same for North America. Asia was down like 5% and a large part of that was driven by the

continuing challenges that every company is facing in China. On the new business front for the quarter, overall, we were flat compared to the prior year. EMEA was up 6%. Asia continued to be challenged. Consulting was flat. Digital was up 2%. And in North America, we've seen stabilization over the past few months and quarters.

Andre Childress
Okay. Great. Thank you for that. And then as a follow-up, Digital saw a nice improvement pretty much across the board, and in your prepared remarks, you had a big point of emphasis in terms of trying to drive more cross-sells into that going forward. Could you provide a little bit more color on some of those strategies, and if you could, in particular, touch on some of the commentary regarding joint solutions with HR technology providers and how you see that evolving over time?

Gary Burnison
Well, we've built everything up to this point really by ourselves and when you look at world-class consulting firms, they've typically enjoyed an ecosystem of partners that creates deal flow. And we, up to this point, really haven't been able to--we haven't monetized that, and that's been an effort. We have a new leader in the Digital business, Mathias Herzog, who brings a fresh perspective. We've got a great team. And so that is an opportunity for us, and so there are three to five, largely technology players, that we are working steadily with to create an ecosystem where we can deliver more value through our IP with their technology solutions to their clients and vice versa, and so I think it is a green field for us, for sure.

I think also the collaboration between Digital and Consulting, as I said earlier, has never been higher. I think that is something that's positive for us. And overall as a firm, when you think about the kinds of data that we have and being able to provide insight to clients, it's extraordinary. I was on a call last week with a CEO, huge healthcare company. We've done thousands of assessments. We're able to tell that CEO exactly kind of a DNA, an MRI, of their organization and juxtapose that with that organization's strategy and show where the gaps are, which leads to assessment, leads to development.

And so I do think as a firm, that one huge focus for us, we're calling it KF RISE, but a focus of that is to make sure that we are delivering scaled analytics through our data. We've done 103 million assessments over time. Every year we develop over a million professionals. We have comp data on 30 million people, 25,000 companies. And so a big, big focus of us here is to make sure that we're able to create more insight based on that data with clients and we have to get the whole firm behind that effort and that's an activity that's, a big activity, that's underway for us right now.

Andre Childress
Great. Thank you.

Operator

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

Tobey Sommer
Thank you. I was wondering if you could give us some more color on that trend you quoted recently of Professional Search being up. Maybe talk about how broad-based it is and any industry verticals that stand out as either leaders or laggards in that regard?

Gary Burnison
The industry verticals, I think it's going to be hard for me to comment on. I would say that it's been somewhat broad-based for sure, but when you do look, it is up and to the right. And I'm not going to sit here and say, three months, four months, make a trend line, but I do think it is kind of reflective of where companies are in terms of their adaptation in this multi-quarter reset.

And so it is true that over the last few months we have seen in Pro Search, kind of monthly new business trends up 15%, 20%, largely in North America, but also in EMEA. And that's, I think, generally been one of the most cyclically sensitive parts of the labor market, at least of recruiting companies or staffing companies. So I do think that is a green shoot.

The other thing that I would point out is on the RPO business, when you look back after this great resignation, and we've talked about labor hoarding and you've seen other RPO providers and what's happened to their topline, we are expecting a shift. Largely over the last two quarters to three quarters, you'll see that substantial part of the business has been renewals, which is important. I mean, there's no question about it. It shows the quality of the work. And as Tiffany said, the revenue that we actually recognize from what we report as new business has been about 106% of notional value.

But we do think there's going to be a shift away from that trend line more towards new wins. So I would expect that in this next quarter here, we'll probably do $100 million, maybe a little bit north in new business. And I think that trend of 70% or so renewals is going to flip a little bit, and I think you're going to see more new logos, less renewals.

Tobey Sommer
I appreciate that. From a modeling perspective, is the effect of recent cost cutting fully captured in this quarter or is there sort of an incremental tailwind in the quarter you're guiding for or beyond?

Gary Burnison
Yeah. Bob, you can answer that.

Bob Rozek
Yeah. No, Tobey, I think most of the benefits of the actions we took are already embedded in our run-rate numbers that we posted today. For us, as we said earlier, I mean, where we're

going to continue to see a margin improvement is topline growth and then also, we're going to look to continue to drive productivity so that we're not adding back headcount as quickly as we maybe perhaps have in the past as that topline recovers.

Tobey Sommer
Understood. And then from a cross-sell referral, I think you quoted being in sort of the mid-20s now, do you have any thoughts on sort of the evolution of your approach to driving that? Is it still a Marquee account, Marquee sales force focused, or do you have different sort of tools and approaches to trying to drive that higher?

Gary Burnison
No. It is. It clearly starts with a top-down go-to-market strategy, but we also have to make sure that we are doing it bottom-up. And the reality is we haven't had as much firm-wide push around that as we would like to have or what there's opportunity to do. And so that is an initiative that we called KF RISE, that first and foremost investing in data and being able to do scaled analytics, because I think wherever this thing goes on AI, which we are absolutely trying to incorporate into our business, it starts with proprietary data and insight.

Then it's how do we get that data and insight into our consultants' hands to differentiate Korn Ferry with our clients. And so that is an active part of the strategy, that scaled analytics, that data around sectors, industries, geographies. We have to do a better job of getting that into our consultants' hands across the entire platform to be able to differentiate Korn Ferry and offer more insight into customers. So that is definitely something that has been accelerated for us. I'm not going to say it's new, but we've certainly put a fresh emphasis on that.

Bob Rozek
And Tobey, this is Bob. The only thing I would add to that is, historically, I would say that we were more opportunistic than intentional, and I think it's part of what the program Gary is talking about, we're going to become much more intentional. I'll give you an example. In the past, if somebody was an account leader on an account we wanted and it was a $10 million account and we wanted 20% growth, we'd say, okay, go get $2 million.

Now, the KPIs are being built where we're actually saying we want $2 million, but a million of it needs to come from Consulting, a million of it needs to come from Digital, so that we're focusing efforts where we really see the opportunities and going after it with intent versus, again, just being more opportunistic and taking kind of what was given to us.

Tobey Sommer
My last question has to do with the bill rate growth in Consulting. I know you've had some success with some sort of government work in EMEA and I'm just curious if that's the main driver of the bill rate growth or it's broad-based, how would you characterize it, larger projects, et cetera? Thanks.

Gary Burnison
Yeah. It is broad, but clearly that's had an impact, what you're referencing around governmental work, no question about it. But I also think it's reflective of the strategy and from going from smaller engagements to bigger, more impactful transformational assignments. That's how you get leverage. We still have to continue to push towards the organizational strategy, organizational design, transformation. We still have to push the firm that direction, but clearly that's had a big, big impact on the bill rates as well.

Tobey Sommer
Thank you.

Operator
And at this time, there are no further questions. I'd now like to turn the call back to Gary Burnison for any closing remarks.

Gary Burnison
Okay, Greg. Listen, thank you to everybody for listening. We're very, very excited, obviously, about the future of Korn Ferry. I think this is the beginning. We've proven that there's customer receptivity in the marketplace. The IP and the data that we have is enormous and we're excited about the future. Thank you for taking an interest and we'll talk to you next time. Thank you, Greg.

Operator
Thank you. Ladies and gentlemen, this conference will be available for replay for one week, starting today at 3:00 p.m. Eastern Time, running through the day, March 13th, 2024, ending at midnight. You may access the AT&T Executive Playback Service by dialing 1-866-207-1041 and entering the access code 732-3980. International participants may dial 402-970-0847. Additionally, the replay will be available for playback at the company's website, www.kornferry.com, in the Investor Relations section.

That does conclude your conference for today. Thank you for your participation and for using AT&T Teleconference. You may now disconnect.