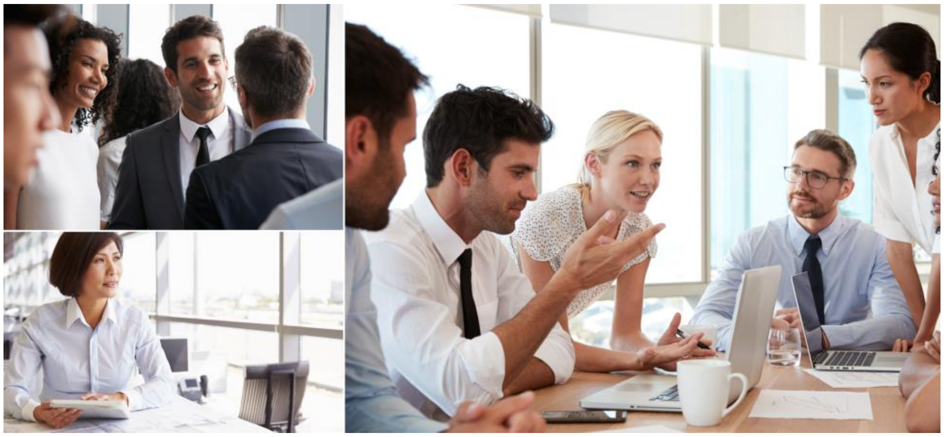
Q1 2019
CONFERENCE CALL

Prepared Remarks From:
Harold M. Messmer, Jr., Chairman and CEO, Robert Half International
M. Keith Waddell, Vice Chairman, President and CFO, Robert Half International

April 23, 2019



Robert Half®

FIRST-QUARTER 2019 FINANCIAL RESULTS
CONFERENCE CALL, APRIL 23, 2019
PREPARED REMARKS

OPERATOR:

Hello, and welcome to the Robert Half first-quarter 2019 conference call. Our hosts for today's call are Mr. Max Messmer, chairman and CEO of Robert Half, and Mr. Keith Waddell, vice chairman, president and chief financial officer. Mr. Messmer, you may begin.

INTRODUCTION

HAROLD M. "MAX" MESSMER, JR., CHAIRMAN AND CEO, ROBERT HALF:

Hello, everyone. Thank you for your time today.

Before we get started, I would like to remind everyone that comments made on today's call contain predictions, estimates and other forward-looking statements. These statements represent our current judgment of what the future holds and include words such as "forecast," "estimate," "project," "expect," "believe," "guidance" and similar expressions. We consider these remarks to be reasonable; however, they are subject to risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Some of these risks and uncertainties are described in today's press release and in our SEC filings, including our 10-Ks, 10-Qs and today's 8-K. We assume no obligation to update the statements made on today's call.

For your convenience, we've made our prepared remarks available in the Investor Center of our website at roberthalf.com. From the home page, click on the Investor Center link at the bottom left of the page.

Now, I'd like to go over Robert Half's financial results for the first quarter. Companywide revenues were $1.469 billion. This is up 5 percent from last year's first quarter on a reported basis, and up 9 percent on a same-day, constant-currency basis.

Net income per share for the quarter was 93 cents, compared to 78 cents in the first quarter of 2018, an increase of 19 percent.

Cash flow from operations was $127 million, and capital expenditures were $13 million in the first quarter. In February of this year, we increased our quarterly cash dividend from $.28 to $.31 per share, and in March, we distributed that dividend to shareholders, for a total cash outlay of $38 million. We also repurchased roughly 800,000 Robert Half shares during the quarter for $52 million. We have 5.9 million shares available for repurchase under our board-approved stock repurchase plan.

We saw solid revenue growth in our staffing and Protiviti operations during the quarter, both in our U.S. and non-U.S. operations. Persistent tight labor markets globally continue to result in heightened demand for our professional staffing services.

During the first quarter, return on invested capital for the company was 41 percent.

I'll turn the call over to Keith now for a more detailed discussion of our first-quarter results.

M. KEITH WADDELL, VICE CHAIRMAN, PRESIDENT AND CFO, ROBERT HALF:

Revenues

Thank you, Max. As just noted, global revenues in the first quarter were $1.469 billion. This is up 5 percent from the prior year's first quarter on a reported basis, and up 9 percent on a same-day, constant-currency basis from the year-ago period.

Accompanying our earnings release today is a supplemental schedule showing year-over-year revenue growth rates on both a reported and an as-adjusted basis. These figures are further broken out by U.S. and non-U.S. operations. The term "as-adjusted" reflects the removal of the impact of billing days, currency fluctuations and certain intercompany adjustments in our international operations. This is a non-GAAP financial measure designed to give you insight into certain revenue trends in our operations.

For our staffing business, first-quarter revenues were up 7 percent year over year on an as-adjusted basis. U.S. staffing revenues were $931 million, up 6 percent on a same-day basis, and non-U.S. staffing revenues were $285 million, up 11 percent year over year on an as-adjusted basis. We have 325 staffing locations worldwide, including 86 locations in 17 countries outside the United States.

The first quarter had 62.2 billing days, compared to 63.0 days in the first quarter of 2018. The shorter 2019 first quarter reduced our reported year-over-year staffing revenue growth rate by 1.4 percentage points. The current second quarter has 63.4 billing days, compared to 63.5 days in the second quarter one year ago.

Currency exchange rate movements versus the prior year had the effect of decreasing reported year-over-year staffing revenues by $22 million in the first quarter, which reduced our year-over-year reported staffing revenue growth rate by 1.9 percentage points.

For Protiviti, first-quarter global revenues were $252 million, with $192 million coming from business within the United States and $60 million from operations outside the United States. Protiviti revenues were up 17 percent year over year on an as-adjusted basis.

On a same-day basis, U.S. Protiviti revenues were up 17 percent year over year in the first quarter, while non-U.S. revenues were up 19 percent on an as-adjusted basis. Exchange rates had the effect of decreasing year-over-year Protiviti revenues by $4 million in the first quarter and decreasing the year-over-year reported growth rate by 1.7 percentage points. Protiviti and its independently owned Member Firms serve clients through a network of 85 locations in 27 countries.

Gross Margin

Now, let's turn to gross margin in the first quarter. In our temporary and consulting staffing operations, gross margin was 38.0 percent of applicable revenues, compared to 37.2 percent of applicable revenues in the same period one year ago. Expanding bill/pay spreads and higher temp-to-hire conversion fees were the largest contributors to the increase.

First-quarter revenues for our permanent placement operations were 10.8 percent of consolidated staffing revenues, versus 10.2 percent of consolidated staffing revenues in the first quarter of 2018. When combined with temporary and consulting gross margin, overall staffing gross margin increased 110 basis points versus one year ago, to 44.7 percent.

For Protiviti, gross margin in the first quarter was $64 million, or 25.3 percent of Protiviti revenues. One year ago, gross margin for Protiviti was $55 million, or 26.4 percent of Protiviti revenues.

Selling, General and Administrative Costs

First-quarter staffing SG&A costs were 34.2 percent of staffing revenues, compared to 33.5 percent one year ago. The higher mix of permanent placement revenues this quarter versus one year ago added 30 basis points to the quarter's SG&A ratio.

SG&A costs for Protiviti were 17.9 percent of Protiviti revenues in the first quarter, compared to 19.1 percent of Protiviti revenues in the year-ago period.

Operating Income

First-quarter operating income from our staffing divisions was $128 million, up 7 percent from the first quarter of 2018. Operating margin was 10.5 percent.

Our temporary and consulting staffing divisions reported $106 million in operating income, an increase of 10 percent from the first quarter of last year. This resulted in an operating margin of 9.8 percent.

In the first quarter, operating income for our permanent placement division was $22 million. This was down 4 percent from the prior year and produced an operating margin of 16.4 percent.

Operating profit for Protiviti was $18 million in the first quarter, an increase of 22 percent from the year-ago period. This produced an operating margin of 7.4 percent.

Accounts Receivable

At the end of the first quarter, accounts receivable were $826 million, and implied days sales outstanding (DSO) was 50.5 days.

Guidance

Before we move to second-quarter guidance, let's review some of the monthly revenue trends we saw in the first quarter of 2019 and thus far in April, all adjusted for currency and billing days.

Our temporary and consulting staffing divisions exited the first quarter with March revenues up 4.7 percent versus the prior year, compared to a 6.2 percent increase for the full quarter. Revenues for the first two weeks of April were up 3.7 percent compared to the same period in April of 2018.

March revenues for our permanent placement division were up 16.1 percent versus 2018, compared to a 12.3 percent increase for the full quarter. For the first three weeks in April, permanent placement revenues were up 6.3 percent compared to the same period last year.

This information provides a look into some of the trends we saw during the first quarter and thus far in April. But, as you know, they represent brief periods of time, and we caution against reading too much into them.

With that in mind, we offer the following second-quarter guidance:

- Revenues: $1 billion, 485 million to $1 billion, 550 million
- Income per share: $0.95 to $1.01

The midpoint of our first-quarter guidance implies year-over-year revenue growth of 5.5 percent on a same-day, as-adjusted basis (including Protiviti) and EPS growth of 10 percent.

We limit our guidance to one quarter. All estimates we provide on this call are subject to the risks mentioned in today's press release and in our SEC filings.

Now, I'll turn the call back over to Max.

MAX MESSMER, CHAIRMAN AND CEO, ROBERT HALF:

Thank you, Keith. We ended the quarter with solid revenue growth throughout our staffing operations and Protiviti.

Current trends leave us optimistic about where the company is positioned right now. Last year, the economy produced 2.7 million new jobs. The March 2019 BLS report showed job gains of nearly 200,000, exceeding economists' estimates. The long-predicted global talent shortage is upon us.

Our key staffing client base of small and midsize businesses is feeling the pinch. The NFIB's March jobs report showed that 60 percent of SMB owners are either hiring or trying to hire, and their biggest business problem is a lack of available, skilled talent. Increasingly, they are turning to Robert Half for help.

We are also seeing wage increases start to materialize as more employers recognize that they need to pay more to get the candidates they want. Wage inflation trends are now more typical of those we've seen in past tight labor markets.

Our brands are among the staffing and consulting world's most recognized and respected, our financial position is strong, and we have the most experienced field and corporate management team in our industry.

The combination of technology and personal service we bring to market is key, and all of our people and technology investments are designed to offer an optimal mix of high-tech and high-touch. We are convinced you can't have one without the other and still provide clients with the hiring help they need.

With respect to Protiviti, we believe their leadership and talent have made them a formidable competitor in consulting. Their suite of consulting offerings now includes risk and compliance, data and analytics, and performance improvement, among others. Protiviti is also putting more focus on technology consulting, with additional emphasis on cybersecurity, cloud computing and digital transformation.

As noted on prior calls, we are actively marketing our full suite of staffing and Protiviti capabilities in a managed solutions model. We believe our ability, as a single provider, to offer clients project oversight and deliverables, deep subject matter expertise, and a scalable network of experienced interim staff is unique in our industry.

Now, Keith and I would be happy to answer your questions. We ask that you please limit yourself to one question and a single follow-up, as needed. If time permits, we'll try to return to you if you have additional questions.

Q&A SESSION

MAX MESSMER, CHAIRMAN AND CEO, ROBERT HALF:

That was our last question. We would like to thank everyone again for joining us today.

OPERATOR:

This concludes today's teleconference. If you missed any part of the call, it will be archived in audio format in the Investor Center of Robert Half's website at www.roberthalf.com. You also can dial the conference call replay. Dial-in details and the conference ID are contained in the company's press release issued earlier today.

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