Q1 2022 CONFERENCE CALL

Prepared Remarks From:
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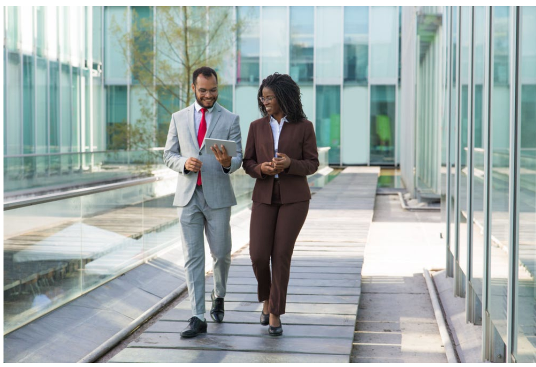
April 26, 2022




Robert Half®

FIRST-QUARTER 2022 FINANCIAL RESULTS
CONFERENCE CALL, PREPARED REMARKS
APRIL 26, 2022

OPERATOR:

Hello, and welcome to the Robert Half first-quarter 2022 conference call. Our hosts for today's call are Mr. Keith Waddell, president and chief executive officer of Robert Half, and Mr. Michael Buckley, chief financial officer. Mr. Waddell, you may begin.

INTRODUCTION

M. KEITH WADDELL, PRESIDENT AND CEO, ROBERT HALF:

Hello, everyone. We appreciate your time today.

Before we get started, I would like to remind you that the comments made on today's call contain forward-looking statements, including predictions and estimates about our future performance. These statements represent our current judgment of what the future holds. However, they are subject to risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. These risks and uncertainties are described in today's press release and in our most recent 10-K and 10-Q filed with the SEC. We assume no obligation to update the statements made on today's call.

During this presentation, we may mention some non-GAAP financial measures and reference these figures as "as adjusted." Reconciliations and further explanations of these measures are included in a supplemental schedule to our earnings press release.

We would like to remind you that beginning this quarter, our financial disclosures for contract operations (formerly temporary and consultant staffing) are based on functional specialization rather than our previously branded divisions. The functional specializations are:

- Finance and accounting,
- Administrative and customer support, and
- Technology.

Finance and accounting combines the former Accountemps and Management Resources. Administrative and customer support was previously OfficeTeam, and technology was formerly Robert Half Technology. Protiviti and our permanent placement operations continue to be reported separately. Also, what we previously referred to as staffing operations are now referred to as talent solutions. There is no change to our underlying business operations or organization.

Our presentation of revenues and the related growth rates for each of our contract functional specializations includes intersegment revenues from services provided to Protiviti in connection with the Company's blended talent solutions and consulting operations. This is how we measure and manage these businesses internally. The combined amount of intersegment revenues with Protiviti is also separately disclosed. The supplemental schedules just mentioned also include a revenue schedule showing this information for 2020 through 2022.

For your convenience, our prepared remarks for today's call are available in the Investor Center of our website, www.roberthalf.com.

We are very pleased to report another very strong quarter driven by a robust demand environment across the globe. First-quarter revenues grew 30 percent and net income grew 52 percent on a year-over-year basis. Our permanent placement talent solutions again led the way, achieving year-over-year revenue growth of 67 percent. Our contract talent solutions and Protiviti also continued to post very strong results, growing year-over-year revenues by 30 percent and 19 percent, respectively.

Our continued success would not be possible without the dedicated commitment of our entire global workforce, including talent solutions, Protiviti and corporate services professionals.

Companywide revenues were $1.815 billion in the first quarter of 2022, up 30 percent from last year's first quarter on a reported basis, and up 31 percent on an as adjusted basis.

Net income per share in the first quarter was $1.52, increasing 55 percent compared to 98 cents in the first quarter one year ago.

Cash flow from operations during the quarter was $69 million. In March, we distributed a $0.43 per-share cash dividend to our shareholders of record, for a total cash outlay of $47 million. Our per share dividend has grown 11.7 percent annually since inception in 2004. The March 2022 dividend was 13.2 percent higher than in 2021. We also acquired approximately 475 thousand Robert Half shares during the quarter, for $55 million. We have 6.7 million shares available for repurchase under our board-approved stock repurchase plan.

Return on invested capital for the Company was 47 percent in the first quarter.

Now I'll turn the call over to our CFO, Mike Buckley.

MICHAEL C. BUCKLEY, CFO, ROBERT HALF:

Revenues

Thank you, Keith. Hello, everyone.

As Keith noted, global revenues were $1.815 billion in the first quarter.

On an as adjusted basis, first-quarter talent solutions revenues were up 35 percent year-over-year. U.S. talent solutions revenues were $1.046 billion, up 38 percent from the prior year. Non-U.S. talent solutions revenues were $297 million, up 28 percent year-over-year on an as adjusted basis. We have 317 talent solutions locations worldwide, including 83 locations in 17 countries outside the United States.

In the first quarter, there were 62.4 billing days, compared to 62.3 billing days in the first quarter of 2021. The current second quarter has 63.4 billing days, unchanged from the same quarter one year ago.

Currency exchange rate movements during the first quarter had the effect of decreasing reported year-over-year talent solutions revenues by $13 million. This negatively impacted our year-over-year reported talent solutions revenue growth rate by 1.3 percentage points.

Contract talent solutions bill rates for the quarter increased 9.1 percent compared to one year ago, adjusted for changes in the mix of revenues by functional specialization, currency and country. This rate for Q4 2021 was 8.5 percent.

Now let's take a closer look at results for Protiviti. Global revenues in the first quarter were $472 million: $369 million of that is from business within the United States, and $103 million is from operations outside the United States. On an as adjusted basis, global first-quarter Protiviti revenues were up 20 percent versus the year-ago period, with U.S. Protiviti revenues up 17 percent. Non-U.S. revenues were up 32 percent on an as adjusted basis. Exchange rates had the effect of decreasing year-over-year Protiviti revenues by $5 million and decreasing its year-over-year reported growth rate by 1.3 percentage points. Protiviti and its independently owned Member Firms serve clients through a network of 88 locations in 29 countries.

Gross Margin

Turning now to gross margin: In contract talent solutions, first-quarter gross margin was 40.0 percent of applicable revenues, compared to 38.8 percent of applicable revenues in the first quarter one year ago. Gross margins were positively impacted by expanding pay-bill spreads and higher conversion revenues (or contract-to-hire), which were 4.0 percent of revenues in the quarter as compared to 3.1 percent of revenues in the same quarter one year ago.

Our permanent placement revenues in the first quarter were 13.9 percent of consolidated talent solutions revenues, versus 11.2 percent of consolidated talent solutions revenues in the same quarter one year ago. When combined with contract talent solutions gross margin, overall talent solutions gross margin was 48.3 percent, an increase of 2.7 percentage points compared to the year-ago first quarter.

For Protiviti, gross margin was 26.2 percent of Protiviti revenues, compared to 26.5 percent of Protiviti revenues one year ago. Adjusted for deferred-compensation-related classification impacts, gross margin for Protiviti was 25.3 percent for the quarter just ended, compared to 26.9 percent one year ago. Gross margin in the current period was impacted by higher staff resources costs, including a significant expansion of headcount during the quarter.

Selling, General and Administrative Costs

Enterprise SG&A costs were 28.3 percent of global revenues in the first quarter, compared to 30.3 percent in the same quarter one year ago. Adjusted for deferred-compensation-related classification impacts, enterprise SG&A costs were 29.8 percent for the quarter just ended, compared to 29.5 percent one year ago.

Talent solutions SG&A costs were 33.6 percent of talent solutions revenues in the first quarter, versus 37.3 percent in the first quarter of 2021. Adjusted for deferred-compensation-related classification impacts, talent solutions SG&A costs were 35.6 percent for the quarter just ended, compared to 36.3 percent one year ago. The higher mix of permanent placement revenues this quarter versus one year ago had the effect of adding 1.5 percentage points to the quarter's Adjusted SG&A ratio.

First-quarter SG&A costs for Protiviti were 13.3 percent of Protiviti revenues, compared to 12.5 percent of revenues in the year-ago period.

Segment Income

Operating income for the quarter was $258 million. Adjusted for deferred-compensation-related classification impacts, combined segment income was $228 million in the first quarter. Combined segment margin was 12.5 percent. First-quarter segment income from our talent solutions divisions was $171 million, with a segment margin of 12.7 percent. Segment income for Protiviti in the first quarter was $57 million, with a segment margin of 12.1 percent.

Tax Rate

Our first-quarter tax rate was 26 percent, the same as it was one year ago.

Accounts Receivable

At the end of the first quarter, accounts receivable was $1.072 billion, and implied days sales outstanding (DSO) was 53.0 days.

Guidance

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

Contract talent solutions exited the first quarter with March revenues up 28 percent versus the prior year, compared to a 31 percent increase for the full quarter. Revenues for the first three weeks of April were up 29 percent compared to the same period one year ago.

Permanent placement revenues in March were up 63 percent versus March of 2021. This compares to a 69 percent increase for the full quarter. For the first four weeks in April, permanent placement revenues were up 30 percent compared to the same period in 2021. We remind you that the comparative period in 2021 experienced extraordinary growth, with permanent placement achieving 154 percent growth rates in the first three weeks of April 2021, and 97 percent for the full quarter.

We provide this information so you have insight into some of the trends we saw during the first quarter and into April. But as you know, these are very brief time periods. We caution against reading too much into them.

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

- Revenues: $1.855 billion to $1.935 billion
- Income per share: $1.53 to $1.63

Guidance Assumptions

Midpoint revenues of $1.895 billion are 22 percent higher than the same period in 2021 on an as adjusted basis. Midpoint EPS of $1.58 is 19 percent higher than 2021. Note that in the prior year, Q2 2021 revenues and EPS had very strong year-over-year growth rates of 40% and 227%, respectively.

The major financial assumptions underlying the midpoint of these estimates are as follows:

Revenue growth, year-over-year:				
Talent solutions:	Up	25%	to	27%
Protiviti:	Up	9%	to	11%
Overall:	Up	21%	to	23%
Gross margin percentage:				
Contract talent:		39%	to	40%
Protiviti:		27%	to	28%
Overall:		41%	to	43%
SG&A as percent of revenues, excluding deferred-compensation classification impacts:				
Talent solutions:		36%	to	37%
Protiviti:		14%	to	15%
Overall:		30%	to	31%
Segment income:				
Talent solutions:		12%	to	13%
Protiviti:		13%	to	14%
Overall:		12%	to	13%
Tax Rate:		26%	to	27%
Shares:		109 to 110 million		

Second quarter capital expenditures and capitalized cloud computing costs: $25 to $30 million.

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 Keith.

M. KEITH WADDELL, PRESIDENT AND CEO, ROBERT HALF:

Thank you, Mike.

The future of work continues to evolve as remote and hybrid work models gain wider acceptance, and the swift recovery across global labor markets has significantly increased the demand for our services. More than ever before, clients are willing to recruit from outside their geographic region to access deeper talent pools and lower price points than may be available locally. Job candidates also benefit from the broader experiences and wider selection of jobs derived from out-of-market engagements. This remote work environment increasingly plays to our strengths and presents an unparalleled opportunity to capitalize on a structural shift in how companies source talent.

Additionally, our global brand, office network, candidate database and advanced AI-driven technologies allow us to successfully recruit the necessary talent for our clients to thrive and grow amid the Great Reshuffle, as professionals continue to change jobs at record levels and companies across the globe struggle to navigate unprecedented employee turnover.

Global labor markets remain very robust. In the U.S., this is seen in the elevated levels of job openings and quits rates, as well as low initial unemployment claims and a low unemployment rate, particularly for those with a college degree where the rate is 2.0%. For small businesses, the National Federation of Independent Business, NFIB, recently reported that 92 percent of those hiring or trying to hire had few or no qualified applicants for open positions, and 47 percent of all small business owners had job openings that could not be filled.

As a result of this very strong demand environment, coupled with our unique ability to successfully secure hard-to-find candidates for our clients, we continue to see our talent solutions results recovering at a faster pace than we've experienced in the past. Our permanent placement and contract talent solutions segments, including blended solutions with Protiviti, have achieved cumulative sequential growth of 163 percent and 64 percent, respectively, during the seven quarters since the pandemic trough. Similar numbers for the financial crisis and dot-com recoveries were 83 percent and 30 percent, and 87 percent and 41 percent, respectively.

Protiviti again reported double-digit revenue gains, which it has achieved for each of the last 4 years. Internal audit and blended solutions with contract talent solutions reported the strongest growth. The growth in technology consulting and risk and compliance solutions was impacted by the wind-down of a very large regulatory remediation project during the quarter. While replacement projects have already largely been secured, the second quarter will also be impacted as the wind-down completes and the new projects start on a staggered basis. Protiviti's pipeline continues to be very strong, and the aggressive hiring that took place during the first quarter was in support of anticipated additional resource requirements.

First-quarter public sector revenues exceeded expectations and grew 34 percent year-over-year to a total of $90 million, of which $72 million was reported by Protiviti and the balance reported by talent solutions. As was expected, work directly related to stimulus programs moderated in the quarter, and we began to realize revenues from new work that leverages the credentials and deep relationships we have developed with this new client base. Educational institutions and government entities at all levels are experiencing talent shortages across their organizational structures, creating opportunities for us to provide contract talent, consulting services and managed solutions as their needs dictate. We expect second quarter 2022 public sector revenues to be $95 to $105 million, and we continue to expect full-year 2022 public sector revenues to be at least flat to up 10 percent for the year.

To aid with prior year comparisons, we have included a table on our website in the supplemental financial information section of the Investor Center showing our quarterly public sector revenues for 2021.

For both talent solutions and Protiviti, we are very optimistic about the year ahead as we draw on strength from our people, our technology, our brands, and our business model. We remain steadily focused on our time-tested corporate purpose: to connect people to meaningful and exciting work and provide clients with the talent and deep subject matter expertise they need to confidently compete and grow.

We are proud to be recently named one of only a select few companies by FORTUNE as a Most Admired Company for 25 consecutive years, in addition to making Barron's annual list of the 100 Most Sustainable Companies and Forbes' list of America's Best Employers for Diversity. This recognition would not be possible without the dedication and exemplary efforts of our employees across the globe.

Now, Mike and I would be happy to answer your questions. Please ask just one question and a single follow-up, as needed. If there's time, we'll come back to you for additional questions.

Q&A SESSION

M. KEITH WADDELL, PRESIDENT AND CEO, ROBERT HALF:

That was our last question. Thank you 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.