Q2 2018 CONFERENCE CALL

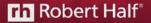
Prepared Remarks From:

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

July 24, 2018







SECOND-QUARTER 2018 FINANCIAL RESULTS CONFERENCE CALL, JULY 24, 2018 PREPARED REMARKS

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OPERATOR:

Hello, and welcome to the Robert Half second-quarter 2018 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

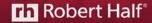
HAROLD M. "MAX" MESSMER, JR., CHAIRMAN AND CEO, ROBERT HALF:

Good afternoon, everyone. Thank you for joining us.

I would like to first preface our remarks with a reminder 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 believe 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, our prepared remarks also are available on our website at <u>roberthalf.com</u>. From the home page, click on "Investor Center" at the bottom left of the page. You will find the Quarterly Conference Calls link in the Investor Center.

Now, let's turn our attention to Robert Half's financial results for the second quarter of 2018. Revenues during the quarter were \$1.457 billion companywide. This is up 11 percent on a reported basis and up 10 percent on a same-day, constant-currency basis compared to the second quarter of 2017.



Net income per share in this year's second quarter was 89 cents, up 39 percent compared to the second quarter of last year.

Cash flow from operations in the second quarter was \$148 million and capital expenditures were \$9 million. We paid a 28-cent dividend to stockholders in June at a total cost of \$34 million. We also repurchased 1.1 million Robert Half shares in the second quarter, at a cost of \$76 million. We have 10.1 million shares available for repurchase under our board-approved stock repurchase plan.

We saw across-the-board strength in our U.S. and international staffing and Protiviti operations during the second quarter, as year-over-year growth rates accelerated versus the first quarter. Favorable global economic trends, a robust job market, and positive business sentiment among our small and midsize client base contributed to the strong quarter.

During the second quarter, Robert Half's return on invested capital was 39 percent.

I'll turn the call over to Keith now for a closer look at our second-quarter results.

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

Revenues

Thank you. As Max just noted, global revenues were \$1.457 billion in the second quarter. This is up 11 percent from the year-ago period on a reported basis, and up 10 percent on a same-day, constant-currency basis.

Accompanying our earnings release is a supplemental schedule showing year-over-year revenue growth rates on both a reported and 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 provide insight into certain revenue trends in our operations.

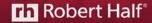
Second-quarter staffing revenues were up 9 percent on an as-adjusted basis. U.S. staffing revenues were \$930 million, up 6 percent on a same-day basis, while non-U.S. staffing revenues were \$293 million, up 17 percent on an as-adjusted basis. We have 325 staffing locations worldwide, including 86 locations in 17 countries outside the United States.

The second quarter had 63.5 billing days, compared to 63.3 days in the second quarter one year ago. The current third quarter has 63.3 billing days, compared to 63.1 days in the third quarter of 2017.

Currency exchange rate movements versus the prior year were favorable and had the effect of increasing reported year-over-year staffing revenues by \$16 million in the second quarter, which boosted year-over-year reported staffing revenue growth rates by 1.4 percent.

Second-quarter global revenues for Protiviti were \$234 million, with \$184 million coming from business within the United States and \$50 million from operations outside the United States. Protiviti revenues were up 14 percent year over year on an as-adjusted basis.

Second-quarter U.S. Protiviti revenues were up 11 percent from 2Q17 on a same-day basis, while non-U.S. revenues were up 25 percent. Exchange rates had the effect of increasing year-over-year Protiviti revenues by \$2 million in the second quarter and increasing the year-over-year reported growth rate by 1.2 percent. Protiviti and its independently owned Member Firms serve clients through a network of 81 locations in 25 countries.



Gross Margin

Now, let's turn to the gross margin we achieved in the second quarter. Gross margin in our temporary and consulting staffing operations was 37.5 percent of applicable revenues, compared to 37.4 percent of applicable revenues in the same period one year ago. Higher temp-to-hire conversion fees and expanding bill/pay spreads offset higher fringe benefit costs.

Second-quarter revenues for our permanent placement operations were 11.0 percent of consolidated staffing revenues, compared to 10.1 percent of consolidated staffing revenues in 2Q17. When combined with temporary and consulting gross margin, overall staffing gross margin increased 70 basis points versus one year ago, to 44.4 percent.

Second-quarter gross margin for Protiviti was \$64 million, or 27.3 percent of Protiviti revenues. One year ago, gross margin for Protiviti was \$53 million, or 26.7 percent of Protiviti revenues.

Selling, General and Administrative Costs

In the second quarter, staffing SG&A costs were 33.7 percent of staffing revenues, versus 33.5 percent in last year's comparable period. The higher mix of permanent placement revenues this quarter versus a year ago added 50 basis points to the quarter's SG&A ratio.

SG&A costs for Protiviti were 19.4 percent of Protiviti revenues in the second quarter, compared to 18.3 percent of Protiviti revenues in the year-ago period.

Operating Income

Second-quarter operating income from our staffing divisions was \$131 million, up 15 percent from the same period in the prior year. Operating margin was 10.7 percent. Our temporary and consulting staffing divisions reported \$104 million in operating income, an increase of 11 percent from the prior year's second quarter. This resulted in an operating margin of 9.5 percent.

Operating income for our permanent placement division was \$27 million in the second quarter. This was up 30 percent from the prior year and produced an operating margin of 20.3 percent.

Operating profit for Protiviti was \$19 million in the second quarter, an increase of 12 percent from the same period in the prior year, producing an operating margin of 7.9 percent.

Accounts Receivable

At the end of the second quarter, accounts receivable were \$802 million, and implied days sales outstanding (DSO) was 49.4 days.

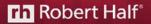
Guidance

Before we move to third-quarter guidance, let's review some of the monthly revenue trends we saw in the second quarter of 2018 and so far in July, all adjusted for currency and billing days.

Our temporary and consulting staffing divisions exited the second quarter with June revenues up 8.0 percent versus the prior year, compared to 7.7 percent for the full quarter. Revenues for the first two weeks of July were up 10.3 percent compared to that same period in 2017.

For our permanent placement division, June revenues were up 16.7 percent versus last year, compared to an 18.0 percent increase for the full quarter. For the first three weeks in July, permanent placement revenues were up 25.9 percent compared to the same period last year.

This information is designed to highlight some of the trends we saw during the second quarter and so far in July. But, as you know, they represent brief periods of time, and we caution against reading too much into them.



With that said, we offer the following third-quarter guidance:

- Revenues: \$1 billion, 430 million to \$1 billion, 490 million

- Income per share: \$0.88 to \$0.94

The midpoint of our third-quarter guidance implies year-over-year revenue growth of 10 percent on a same-day, as-adjusted basis (including Protiviti) and EPS growth of 34 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 were pleased with how the business performed in the second quarter. Revenue growth was broad-based across all staffing lines of business and Protiviti during the quarter. International staffing and Protiviti results remained solid, and U.S. operations continued to gain momentum.

Improving economies and tightening labor markets globally are resulting in higher demand for our services.

As you know, we follow small business hiring very closely as small and midsize companies make up the majority of our staffing clients. The NFIB Small Business Optimism Index remains near historical highs. In the June report, small business owners said their single most important business problem is finding qualified workers. We are a valuable resource for these companies as they look to grow their teams.

I would also like to call out Protiviti's quarter. We are pleased with how this business is positioned in the marketplace right now. Protiviti is highly regarded for its internal audit and internal controls solutions. And they are seeing growing demand for their broad array of consulting solutions in risk and compliance, technology, data and analytics, and business performance improvement.

The partnership between Protiviti and our staffing business makes Robert Half unique in our industry. For major client initiatives, Protiviti can not only offer its highly regarded consulting expertise and technologies but also quickly draw on the staffing side of our business to bring in the necessary hands-on skills, the nature of — and need for which — can fluctuate considerably during the life of a client's project.

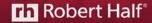
In the meantime, our digital innovations are enhancing more and more of our customer touchpoints. Already, clients and candidates have multiple ways to interact with us online, and we will continue to expand our digital service offerings in the future.

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 on today's call.



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.

