Q2 2019 CONFERENCE CALL

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

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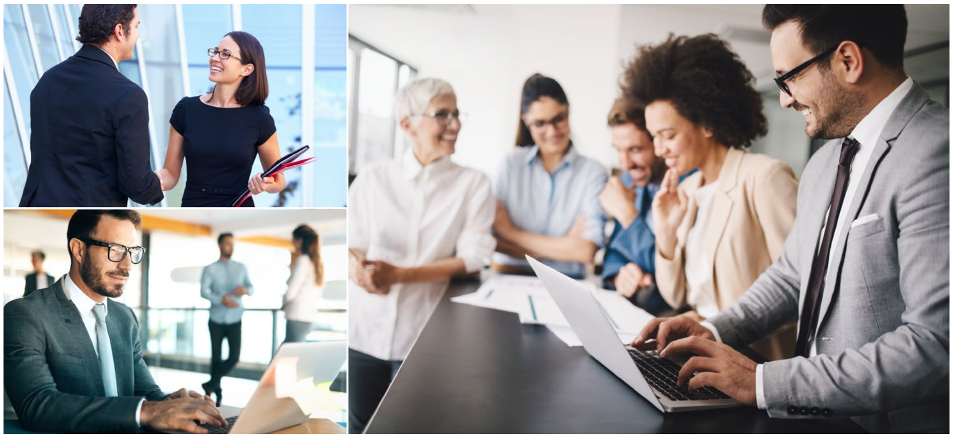

Robert Half®

SECOND-QUARTER 2019 FINANCIAL RESULTS
CONFERENCE CALL, JULY 23, 2019
PREPARED REMARKS

OPERATOR:

Hello, and welcome to the Robert Half second-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 joining today's call.

As a reminder, the 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, our prepared remarks for today's call are 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 let's review Robert Half's financial results for the second quarter. Global revenues for the company were $1.516 billion, an increase of 4 percent from last year's second quarter on a reported basis, and an increase of 6 percent on a same-day, constant-currency basis.

Second-quarter net income per share was 98 cents versus 89 cents in the same period one year ago. This is an increase of 10 percent year over year.

Cash flow from operations was $121 million in the second quarter, and capital expenditures were $16 million. In June, we distributed a $.31 per share cash dividend to our shareholders of record, for a total cash outlay of $36 million. We also repurchased approximately 1 million Robert Half shares during the quarter for $60 million. We have 4.9 million shares available for repurchase under our board-approved stock repurchase plan.

We saw solid demand for our staffing and Protiviti services during the second quarter. Global talent shortages persist across our professional disciplines, particularly in the United States, where unemployment remains near a 50-year low. This enhances the value of our services.

During the second quarter, return on invested capital for the company was 42 percent.

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

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

Revenues

Thank you, Max. As just noted, global revenues in the second quarter were $1.516 billion. This is up 4 percent from the prior year's second quarter on a reported basis, and up 6 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 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.

On an as-adjusted basis, second-quarter staffing revenues were up 4 percent year over year. U.S. staffing revenues were $965 million, up 4 percent on a same-day basis. Non-U.S. staffing revenues were $278 million, up 3 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.

There were 63.4 billing days in the second quarter versus 63.5 days in the same quarter one year ago. The current third quarter has 64.1 billing days, compared to 63.3 days in the third quarter one year ago.

Currency exchange rate movements during the quarter had the effect of decreasing reported year-over-year staffing revenues by $16 million. This reduced our year-over-year reported staffing revenue growth rate by 1.3 percentage points.

Global revenues for Protiviti were $273 million: $211 million of that is from business within the United States, and $62 million is from operations outside the United States. On an as-adjusted basis, Protiviti revenues were up 14 percent versus the year-ago period.

On a same-day basis, U.S. Protiviti revenues in the second quarter were up 15 percent from the prior year. Non-U.S. revenues were up 9 percent on an as-adjusted basis. Exchange rates had the effect of decreasing year-over-year Protiviti revenues by $3 million and decreasing the year-over-year reported growth rate by 1.2 percentage points. Protiviti and its independently owned Member Firms serve clients through a network of 86 locations in 27 countries.

Gross Margin

Let's take a look at gross margin. In our temporary and consulting staffing operations, gross margin was 38.2 percent of applicable revenues, compared to 37.5 percent of applicable revenues in the second quarter one year ago. Expanding bill/pay spreads and lower payroll tax rates were the largest contributors to the increase.

Permanent placement revenues were 11.3 percent of consolidated staffing revenues in the second quarter, compared to 11.0 percent during the same period one year ago. When combined with temporary and consulting gross margin, overall staffing gross margin rose 70 basis points compared to the year-ago second quarter, to 45.1 percent.

Protiviti gross margin was $76 million in the second quarter, or 27.9 percent of Protiviti revenues. One year ago, gross margin for Protiviti was $64 million, or 27.3 percent of Protiviti revenues.

Selling, General and Administrative Costs

Staffing SG&A costs were 34.6 percent of staffing revenues in the second quarter, compared to 33.7 percent in last year's second quarter. The higher mix of permanent placement revenues this quarter versus one year ago added 20 basis points to the quarter's SG&A ratio.

SG&A costs for Protiviti in the second quarter were 17.3 percent of Protiviti revenues versus 19.4 percent of revenues in the year-ago period.

Operating Income

Second-quarter operating income from our staffing divisions was $130 million. Operating margin was 10.5 percent.

Our temporary and consulting staffing divisions reported $105 million in operating income and produced an operating margin of 9.5 percent.

Operating income for our permanent placement division was $25 million in the second quarter and produced an operating margin of 18.0 percent.

Second quarter operating profit for Protiviti was $29 million, resulting in an operating margin of 10.6 percent.

Accounts Receivable

At the end of the second quarter, accounts receivable were $842 million, and implied days sales outstanding (DSO) was 49.8 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 2019 and thus far in July, all adjusted for currency and billing days.

Our temporary and consulting staffing divisions exited the second quarter with June revenues up 5.3 percent versus the prior year, compared to a 3.7 percent increase for the full quarter. Revenues for the first two weeks of July were up 4.3 percent compared to the same period in July one year ago.

Permanent placement revenues in June were up 7.6 percent versus June one year ago. This compares to a 6.2 percent increase for the full quarter. For the first three weeks in July, permanent placement revenues were down 4.6 percent compared to the same period last year.

We provide this information so that you have insight into some of the trends we saw during the second quarter and into July. 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 third-quarter guidance:

- Revenues: $1 billion, 525 million to $1 billion, 590 million
- Income per share: $0.98 to $1.04

The midpoint of our guidance implies year-over-year revenue growth of 5 percent on a same-day, as-adjusted basis (including Protiviti) and EPS growth of 6 percent. The projected tax rate is 28.5 percent compared to 24.1 percent a year ago.

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 our results in the second quarter, both in our U.S. and non-U.S. operations. Protiviti had a particularly strong quarter.

The demand for skilled talent is something we don't see diminishing anytime soon. Skills shortages are most pronounced in the professional occupations in which we specialize. Likewise, demand remains strong for the consulting expertise of our Protiviti professionals as they work with companies on risk and compliance, data and analytics, performance improvement, and technology-related efforts. Increasingly, Protiviti is collaborating with Robert Half's staffing divisions to work on major client initiatives. Our blended staffing and Protiviti solutions allow us to meet a company's needs at every point in the staffing and consulting continuum. We believe this is a key differentiator for us. Access to talent on a full-time, project and consulting basis is at a premium right now, and with our full spectrum of staffing and Protiviti solutions, we are a reliable resource for this hard-to-find talent and expertise.

As we have talked about many times on this call, small and midsize businesses make up the lion's share of our client base. While small business optimism is still at historically high levels, a few of the surveys we follow have reported slightly lower business confidence in recent months. This has had little impact on hiring activity, however.

As of June, the NFIB Small Business Optimism Index reported 19 months of consecutive employment growth among small companies. In the June survey, finding qualified workers remained the single most important business problem for these firms.

Looking at the U.S. workforce as a whole, the June employment outlook was positive, with job growth exceeding analysts' estimates. The labor participation rate also rose slightly, which is a positive sign that workers feel confident in their job prospects.

For these and many other reasons, we are optimistic about our growth opportunities. We will continue to invest in technologies that enable us to deliver a world-class digital experience that complements the personalized service we have perfected over 70 years in the staffing and recruitment industry. Earlier this month, we introduced a new mobile app that allows candidates to search for full-time and temporary jobs, apply instantly and track the status of their applications. The app also recommends — on a real-time basis — new jobs that match a candidate's preferences.

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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