Robert Half®

Q4 2024 Financial Results Conference Call

Prepared Remarks From:

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January 29, 2025

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OPERATOR:

Introduction

M. Keith Waddell, President and Chief Executive Officer, 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.

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

For the fourth quarter of 2024, global enterprise revenues were $1.382 billion, down 6 percent from last year's fourth quarter on an as reported basis, and down 7 percent on an as adjusted basis.

Net income per share in the fourth quarter was $0.53, compared to $0.83 in the fourth quarter one year ago.

Revenues and earnings for the fourth quarter were largely in line with our expectations, led by Protiviti, which reported year-on-year revenue growth for the second straight quarter. Contract revenues remained stable throughout the quarter, sustaining early third-quarter levels for 23 consecutive weeks prior to the holidays. As we move into the new year, we are very encouraged by the significant rise in U.S. business confidence that followed the recent elections.

We are very well-positioned to capitalize on emerging opportunities and support our clients' talent and consulting needs through the strength of our industry-leading brand, people, technology and unique business model that includes both professional staffing and business consulting services.

Cash flow from operations during the quarter was $155 million. In December, we distributed a 53 cent-per-share cash dividend to our shareholders of record, for a total cash outlay of $54 million. Our per-share dividend has grown 11.2 percent annually since its inception in 2004. The December 2024 dividend was 10.4 percent higher than the prior year. We also acquired approximately 1 million Robert Half shares during the quarter for $77 million. We have 7.3 million shares available for repurchase under our board-approved stock repurchase plan.

Return on invested capital for the Company was 15 percent in the fourth quarter.

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

Michael C. Buckley, CFO, Robert Half:

Thank you, Keith. Hello, everyone.

As Keith noted, global revenues were $1.382 billion in the fourth quarter.

On an as adjusted basis, fourth-quarter talent solutions revenues were down 12 percent year over year. U.S. talent solutions revenues were $686 million, down 11 percent from the prior year's fourth quarter. Non-U.S. talent solutions revenues were $208 million, down 14 percent year over year. We conduct talent solutions operations through offices in the United States and 17 other countries.

In the fourth quarter, there were 61.6 billing days, compared to 61.1 billing days in the same quarter one year ago. The first quarter of 2025 has 61.9 billing days, compared to 62.8 billing days during the first quarter of 2024. Billing days for the remaining three quarters of 2025 will be 63.2, 64.2 and 61.4 for a total of 250.7 billing days in the year.

Currency exchange rate movements during the fourth quarter had the effect of decreasing reported year-over-year total revenues by $4 million — $4 million for talent solutions and a negligible impact to Protiviti. Sequential quarter currency fluctuations reduced revenues by $7 million, $5 million for talent solutions and $2 million for Protiviti.

Contract talent solutions bill rates for the fourth quarter increased 3.4 percent compared to one year ago, adjusted for changes in the mix of revenues by functional specialization, currency and country. This rate for the third quarter was 3.2 percent.

Now let's take a closer look at results for Protiviti. Global revenues in the fourth quarter were $488 million: $396 million of that is from the United States, and $92 million is from outside the United States. On an as adjusted basis, global fourth-quarter Protiviti revenues were up 5 percent versus the year-ago period. U.S. Protiviti revenues were up 6 percent, while non-U.S. Protiviti revenues were flat compared to one year ago. Protiviti and its independently owned Member Firms serve clients through locations in the United States and 29 other countries.

Gross Margin

Turning now to gross margin: In contract talent solutions, fourth-quarter gross margin was 39.1 percent of applicable revenues, versus 39.7 percent in the fourth quarter one year ago. Conversion revenues (or contract-to-hire) were 3.2 percent of revenues in the quarter, compared to 3.4 percent of revenues in the quarter one year ago.

Our permanent placement revenues were 12.1 percent of consolidated talent solutions revenues in both the current quarter and the fourth quarter of 2023.

When combined with contract talent solutions gross margin, overall gross margin for talent solutions was 46.4 percent, compared to 46.9 percent of applicable revenues in the fourth quarter one year ago.

For Protiviti, gross margin was 24.9 percent of Protiviti revenues, compared to 23.9 percent of Protiviti revenues one year ago. Adjusted for the amount of deferred compensation that is completely offset by investment income related to employee deferred compensation trusts (the “Deferred Compensation Investment Income Offset”), gross margin for Protiviti was 25.1 percent for the quarter just ended, compared to 25.9 percent last year. We ended 2024 with 11,000 full-time Protiviti employees and contractors, up 4.8 percent from the prior year.

Selling, General and Administrative Costs

Enterprise SG&A costs were 34.1 percent of global revenues in the fourth quarter, compared to 35.1 percent in the same quarter one year ago. Adjusted for the Deferred Compensation Investment Income Offset, enterprise SG&A costs were 33.8 percent for the quarter just ended, compared to 32.5 percent one year ago.

Talent solutions SG&A costs were 44.4 percent of talent solutions revenues in the fourth quarter, versus 44.6 percent in the fourth quarter of 2023. Adjusted for the Deferred Compensation Investment Income Offset, talent solutions SG&A costs were 43.9 percent for the quarter just ended, compared to 40.8 percent last year. We ended 2024 with 7,600 full-time internal employees in our talent solutions divisions, down 5.2 percent from the prior year.

Fourth-quarter SG&A costs for Protiviti were 15.2 percent of Protiviti revenues, compared to 14.5 percent of revenues for the same quarter one year ago.

Segment Income

Operating income for the quarter was $65 million. Adjusted for the Deferred Compensation Investment Income Offset, combined segment income was $71 million in the fourth quarter. Combined segment margin was 5.1 percent. Fourth-quarter segment income from our talent solutions divisions was $23 million, with a segment margin of 2.5 percent. Segment income for Protiviti in the fourth quarter was $48 million, with a segment margin of 9.9 percent.

Income from investments held in employee deferred compensation trusts

Our fourth-quarter 2024 income statement includes $6 million as income from investments held in employee deferred compensation trusts. This is completely offset by an equal amount of additional employee deferred compensation costs, which are reflected in SG&A expenses and direct costs. As such, it has no effect on our reported net income.

Tax Rate

Our fourth-quarter tax rate was 28 percent, compared to 27 percent one year ago.

Accounts Receivable

At the end of the fourth quarter, accounts receivable were $772 million, and implied days sales outstanding (DSO) was 50.5 days.

Guidance

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

Contract talent solutions exited the fourth quarter with December revenues down 11 percent versus the prior year, compared to a 12 percent decrease for the full quarter. Revenues for the first three weeks of January were down 14 percent compared to the same period last year.

Permanent placement revenues in December were down 6 percent versus December 2023. This compares to an 11 percent decrease for the full quarter. For the first four weeks in January, permanent placement revenues were down 3 percent compared to the same period in 2024.

We provide this information so you have insight into some of the trends we saw during the fourth quarter and into January. 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 first-quarter guidance:

- Revenues: $1.35 billion to $1.45 billion
- Income per share: $0.31 to $0.41

Guidance Assumptions

Midpoint revenues of $1.40 billion are 3 percent lower than the same period in 2024 on an as adjusted basis.

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

Revenue growth, year-over-year, as adjusted:				
Talent solutions:	Down	7%	to	10%
Protiviti:	Up	8%	to	10%
Overall:	Down	1%	to	4%
Gross margin percentage:				
Contract talent:		38%	to	40%
Protiviti (as adjusted for the deferred compensation investment income offset):		20%	to	22%
Overall:		36%	to	39%
SG&A as percent of revenues, adjusted for the deferred compensation investment income offset:				
Talent solutions:		43%	to	45%
Protiviti:		15%	to	16%
Overall:		33%	to	35%
Segment income:				
Talent solutions:		1%	to	4%
Protiviti:		4%	to	7%
Overall:		2%	to	5%
Tax Rate:		31%	to	35%
Shares:		101 million to 102 million		

2025 capital expenditures and capitalized cloud computing costs: $75 million to $95 million, with $20 to $25 million in the first quarter.

Protiviti's first quarter segment income guidance includes the seasonal impact of annual staff promotions and compensation increases, all of which became fully effective on January 1. This produces a sequential decline in midpoint estimated segment margin of 4.4 percentage points, which is consistent with the 4-7 point decline experienced in most of the last 10 years. On a year-over-year basis, at the midpoint, Protiviti's first-quarter revenues and earnings are expected to grow by 9 percent and 20 percent, respectively.

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 Chief Executive Officer, Robert Half:

Thank you, Mike.

Global labor markets remain resilient, with U.S. job openings significantly above historical averages — a clear indicator of substantial pent-up demand for talent. While we've seen a slight easing in the tightness of the labor supply, the overall unemployment rate in the United States stands at only 4.1%, with even lower rates for college graduates and those with in-demand accounting, finance and IT skills.

The NFIB's Small Business Optimism Index recently posted the largest 2-month increase in its 39-year history, reaching levels not seen in more than 6 years. The percent of owners expecting the economy to improve also rose to 52%, the highest since 1983.

Rising business confidence is conducive to better hiring urgency, accelerated project demand and reprioritization of deferred growth initiatives. This in turn creates pressure on client resources and generates significant hiring and consulting demand — conditions that have historically set the stage for robust gains in the early stages of growth cycles. We are encouraged by the current combination of elevated job openings, low unemployment and strong business confidence — each of which is even more favorable than similar metrics from the early recovery periods following the dot-com and great financial crisis downturns.

Protiviti once again reported very strong results for the quarter, achieving year-over-year revenue growth for the second quarter in a row. This strength is broad-based and includes each of its major solutions areas, with the regulatory risk and compliance solution again a standout performer. A significant contributor to Protiviti's success has been the expanded use of contract professionals sourced through talent solutions — a key component of our enterprise-wide competitive advantage. Protiviti's prospects and pipeline remain very strong, and we expect continued year-on-year revenue growth in the first quarter. Protiviti was recently recognized on Glassdoor's Best Places to Work list for a second consecutive year and honored by Seramount as a Top Company for Executive Women.

We have weathered many economic cycles in the past, each time emerging to achieve higher peaks. Aging workforce demographics and clients' desire for flexible resources and variable costs are structural tailwinds that are expected to propel us forward in the years to come.

We begin 2025 energized by our time-tested corporate purpose — to connect people to meaningful and exciting work and provide clients with the talent and consulting expertise they need to confidently compete and grow.

Finally, we'd like to extend our gratitude to our global workforce for making possible a number of new accolades. Just today, Robert Half was honored by *Fortune*® as one of the World's Most Admired Companies for the 28th consecutive year. We are proud of our unique position as the only company in our industry to be awarded this distinction for nearly three decades. We were also recently named one of Fortune's Best Workplaces for Parents and chosen by Newsweek as one of America's Most Responsible Companies.

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 Chief Executive Officer, 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 roberthalf.com. You also can dial the conference call replay. Dial-in details and the confirmation code are contained in the Company's press release issued earlier today.