Q1 2016 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 26, 2016

FIRST-QUARTER 2016 FINANCIAL RESULTS
CONFERENCE CALL, APRIL 26, 2016
PREPARED REMARKS

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OPERATOR:

Hello, and welcome to the Robert Half first-quarter 2016 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.

As is our custom, I would like to remind you there are comments on the call today that 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 www.roberthalf.com. From the "About Us" tab, go to our Investor Center, where you will find the Quarterly Conference Calls link.

Now, let's review our first-quarter 2016 results. Quarterly revenues were $1.303 billion, up 8 percent from the first quarter one year ago. Income per share was 64 cents, up 10 percent from this time last year. Cash flow from operations was $79 million in the first quarter. Capital expenditures were $19 million.

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In February, we increased the quarterly cash dividend from $0.20 to $0.22 per share. This is the 11th consecutive year we've increased the dividend amount. The dividend was paid to shareholders on March 15, for a total cash outlay of $29 million. We also repurchased 700,000 Robert Half shares during the first quarter, at a cost of $29 million. We have 9.7 million shares still available for repurchase under our board-authorized stock repurchase plan.

The U.S. job market remained solid in the first quarter as did demand for our professional staffing and consulting services, resulting in year-over-year revenue growth in all lines of business. Our accounting and finance staffing divisions had a particularly strong first quarter.

This was the company's 24th straight quarter of double-digit earnings-per-share percentage growth on a year-over-year basis. Unlevered return on equity was 33 percent.

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

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

Revenues
Thank you. As Max just noted, global revenues were $1.303 billion in the first quarter. This is up 8 percent from the first quarter one year ago on a reported basis, and on a same-day, constant-currency basis.

First-quarter staffing revenues were up 7 percent on a same-day, constant-currency basis. U.S. staffing revenues were $900 million in the first quarter, up 9 percent. Non-U.S. staffing revenues were $215 million, up 4 percent when adjusted for billing days and currency-exchange rates. We have 330 staffing locations worldwide, including 90 locations in 17 countries outside the United States.

The first quarter had 62.7 billing days, compared to 62.0 days in the first quarter one year ago. The difference in billing days had the effect of increasing by 1 percent the reported year-over-year revenue growth rates for the quarter. The current second quarter has 63.9 billing days, compared to 63.2 days in the second quarter of last year.

Currency-exchange rates had the effect of decreasing reported year-over-year staffing revenues by $11 million in the first quarter. Exchange rates decreased year-over-year reported staffing growth rates by 1 percent.

Global revenues for Protiviti were $187 million in the first quarter, with $158 million in revenues in the United States and $29 million in revenues outside the U.S.

Protiviti revenues were up 14 percent year over year on a same-day, constant-currency basis. U.S. revenues were up 15 percent, and non-U.S. revenues were up 8 percent from the prior year. Exchange rates had the effect of decreasing year-over-year Protiviti revenues by $1 million in the first quarter and decreasing the year-over-year reported growth rate by 1 percent. Protiviti and its independently owned Member Firms serve clients through a network of 75 locations in 25 countries.

Accompanying our earnings release is a supplemental schedule showing year-over-year revenue growth rates on both a reported and same-day, constant-currency basis. This data is further broken out by U.S. and non-U.S. operations. This is a non-GAAP financial measure that offers insight into certain revenue trends in our operations.

Gross Margin
Gross margin in our temporary and consulting staffing operations in the first quarter was 37.1 percent of applicable revenues. This is a 10-basis-point improvement from the same period one year ago as higher pay/bill spreads offset lower temp-to-hire conversion revenues.

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First-quarter revenues for our permanent placement operations were 9.5 percent of consolidated staffing revenues, which is up slightly from last year's 9.4 percent. Together with temporary and consulting gross margin, overall staffing gross margin improved by 20 basis points versus one year ago, to 43.1 percent.

First-quarter gross margin for Protiviti was $51 million, or 27.4 percent of Protiviti revenues. Gross margin one year ago for Protiviti was $47 million, or 28.8 percent of Protiviti revenues.

Selling, General and Administrative Costs
Staffing SG&A costs were 32.4 percent of staffing revenues in the first quarter versus 32.2 percent in last year's first quarter.

SG&A costs for Protiviti were 19.6 percent of Protiviti revenues in the first quarter compared to 18.8 percent of Protiviti revenues in the year-ago period.

Operating Income
Operating income from our staffing divisions was $119 million in the first quarter, up 7 percent from the prior year. Operating margin was 10.7 percent, the same as the prior year. Our temporary and consulting staffing divisions reported $98 million in operating income, an increase of 5 percent over the prior year. This resulted in an operating margin of 9.7 percent.

Operating income for our permanent placement division was $21 million in the first quarter, up 13 percent from the prior year and producing an operating margin of 20.2 percent. First-quarter operating profit for Protiviti was $15 million, a decrease of 11 percent from the prior year. This produced an operating margin of 7.8 percent.

Accounts Receivable
At the end of the first quarter, accounts receivable were $734 million. Implied days sales outstanding (DSO) was 51.3 days.

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

Globally, year-over-year revenue growth rates for our temporary and consulting staffing divisions decelerated slightly during the quarter, and we exited the quarter with March revenues growing 6.3 percent compared to 6.7 percent for the full quarter. Revenue growth for our staffing and consulting services in the first two weeks of April was up 5.5 percent compared to the prior year.

Global permanent placement revenue growth rates accelerated during the first part of the quarter then moderated thereafter, with March revenues growing 1.5 percent compared to 8.6 percent for the full quarter. For the first three weeks in April, permanent placement revenues were flat compared to the same period last year.

This information is designed to offer a glimpse into trends we saw during the first quarter and in April. But, as you know, we hesitate to read too much into these numbers as they represent very brief periods of time.

With that said, we offer the following second-quarter guidance:
- Revenues: $1 billion, $325 million to $1 billion, $385 million
- Income per share: $0.70 to $0.76

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The midpoint of our guidance implies year-over-year revenue growth of 6 percent on a reported basis and adjusted for currency (including Protiviti), and EPS growth of 8 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 the company's performance during the first quarter. Our results were boosted by still-low U.S. unemployment in numerous professional occupations and stronger labor markets in key international locations.

The number of U.S. job openings has exceeded the number of hires since February 2015, according to the most recent Job Openings and Labor Turnover Survey from the Bureau of Labor Statistics. The competition for skilled talent is intense. Multiple offers and counteroffers are common for high-demand candidates, particularly in technology and accounting. Internationally, we see higher demand for professional-level talent in a number of markets, notwithstanding the economic headwinds that persist outside the United States.

We feel we will continue to benefit from a widening skills gap in a number of our professional specialty areas. Employers that are struggling to find needed talent are recognizing that flexible staffing can help them manage total labor costs and also increase the pool of potential full-time talent through temporary-to-hire arrangements.

Turning now to Protiviti: We were pleased with Protiviti's performance during the quarter, including once again reporting double-digit revenue growth on a year-over-year basis. Protiviti has an excellent growth outlook based on multiple factors favorably influencing service demand. These include a robust regulatory environment and increased need for stronger internal controls and data security measures, among others.

At this time, 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.

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.

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