

Q4 2015 CONFERENCE CALL

Prepared Remarks From:

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FOURTH-QUARTER 2015 FINANCIAL RESULTS CONFERENCE CALL, FEBRUARY 2, 2016 PREPARED REMARKS

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OPERATOR:

Hello, and welcome to the Robert Half fourth-quarter 2015 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 fourth-quarter 2015 results. Quarterly revenues were \$1.305 billion, up 7 percent from the fourth quarter one year ago, or up 9 percent on a same-day, constant-currency basis. Income per share was 71 cents, up 14 percent from this time last year. Cash flow from operations was \$111 million in the fourth quarter. Capital expenditures were \$27 million.

We returned \$27 million to our shareholders during the quarter through a \$0.20 per share cash dividend. We also repurchased 1.4 million Robert Half shares for \$67 million. In October, our Board of Directors approved the repurchase, from time to time, of an additional 10 million shares of common stock. All told, we have 10.4 million shares available for repurchase under our board-approved stock repurchase plan.

Demand for our professional staffing and consulting services remained strong in the fourth quarter, fueled by a healthy U.S. job market and low unemployment in numerous professional occupations, as well as a more positive economic backdrop in many of our non-U.S. markets. We saw year-over-year revenue growth across the board in our staffing and consulting operations, both in the United States and abroad.

This was the company's 23rd straight quarter of double-digit net income and earnings-per-share percentage growth on a year-over-year basis. Unlevered return on equity was 37 percent.

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

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

Revenues

Thank you, Max. Global revenues were \$1.305 billion in the fourth quarter. This is up 7 percent from the fourth quarter one year ago on a reported basis, and up 9 percent on a same-day, constant-currency basis.

Fourth-quarter staffing revenues were up 8 percent on a same-day, constant-currency basis. U.S. staffing revenues were \$892 million in the fourth quarter, up 8 percent. Non-U.S. staffing revenues were \$217 million, up 4 percent when adjusted for billing days and currency-exchange rates. We have 332 staffing locations worldwide, including 92 locations in 17 countries outside the United States.

The fourth quarter had 62.3 billing days, compared to 61.7 days in the fourth quarter one year ago. The current first quarter has 62.7 billing days, compared to 62.0 days in the first quarter of last year.

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.

Currency-exchange rates had the effect of decreasing reported year-over-year staffing revenues by \$30 million in the fourth quarter. Exchange rates also decreased year-over-year reported staffing growth rates by 3 percent.

Global revenues for Protiviti were \$195 million in the fourth quarter, with \$164 million in revenues in the United States and \$31 million in revenues outside the U.S. Protiviti revenues were up 15 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 17 percent from the prior year. Exchange rates had the effect of decreasing year-over-year Protiviti revenues by \$3 million in the fourth quarter and decreasing the year-over-year reported growth rate by 2 percent. Protiviti and its independently owned Member Firms serve clients through a network of 75 locations in 25 countries.

Gross Margin

Gross margin in our temporary and consulting staffing operations in the fourth quarter was 37.3 percent of applicable revenues. This is a 40-basis-point improvement from the same period one year ago. The improvement relates primarily to higher pay/bill spreads. The fourth quarter of 2015 includes \$1.2 million in workers' compensation and other payroll-related credits.

Fourth-quarter revenues for our permanent placement operations were 9.2 percent of consolidated staffing revenues, which is unchanged from last year's fourth quarter. Together with temporary and consulting gross margin, overall staffing gross margin improved 40 basis points versus one year ago, to 43.0 percent.

Fourth-quarter gross margin for Protiviti was \$62 million, or 32.0 percent of Protiviti revenues. Gross margin one year ago for Protiviti was \$53 million, or 30.7 percent of Protiviti revenues.

Selling, General and Administrative Costs

Staffing SG&A costs were 32.5 percent of staffing revenues in the fourth quarter versus 32.0 percent in last year's fourth quarter. We ended 2015 with 12,800 full-time employees in our staffing divisions, up 14 percent from the prior year.

SG&A costs for Protiviti were 18.0 percent of Protiviti revenues in the fourth quarter compared to 18.3 percent of Protiviti revenues in the year-ago period. We ended 2015 with 3,800 full-time Protiviti employees and contractors, up 15 percent from the prior year.

Operating Income

Operating income from our staffing divisions was \$117 million in the fourth quarter, up 5 percent from the prior year. Operating margin was 10.5 percent. Our temporary and consulting staffing divisions reported \$99 million in operating income, an increase of 5 percent over the prior year. This resulted in an operating margin of 9.9 percent. Operating income for our permanent placement division was \$18 million in the fourth quarter, up 2 percent from the prior year and producing an operating margin of 17.3 percent.

Fourth-quarter operating profit for Protiviti was \$27 million, an increase of 29 percent from the prior year. This produced an operating margin of 14.0 percent.

Accounts Receivable

At the end of the fourth quarter, accounts receivable were \$705 million. Implied days sales outstanding (DSO) was 49.2 days.

Guidance

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

Globally, year-over-year revenue growth rates for our temporary and consulting staffing divisions accelerated modestly in October then decelerated the latter part of the quarter. We exited the quarter with December growing 6 percent compared to 7 percent for the full quarter. Revenue growth for the first three weeks of January was also up 6 percent compared to the prior year. Global permanent placement revenue growth rates also accelerated in October then moderated for the balance of the quarter, with December growing 8 percent compared to 8 percent for the full quarter. For the four weeks in January, permanent placement revenues increased 7 percent compared to the same period last year.

This information is designed to offer a glimpse into trends we saw during the fourth quarter and in January. 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 first-quarter guidance:

- Revenues: \$1 billion, 270 million to \$1 billion, 330 million
- Income per share: \$0.61 to \$0.67

The midpoint of our guidance implies year-over-year revenue growth of 8 percent on a reported basis and adjusted for currency (including Protiviti), and EPS growth of 10 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 fourth quarter, and we are optimistic about our prospects. Annual revenues in 2015 crossed the \$5 billion mark for the first time. We anticipate the high demand for skilled talent will remain a growth driver for us. And we have every confidence in the opportunities ahead for Protiviti.

While the stock market has been volatile and economic uncertainty persists, the U.S. labor market remains strong, and international markets have also started to rebound. In the United States, nearly 300,000 jobs were created in December alone, and 2.7 million jobs were added over the course of the year in 2015.

A number of professional occupations are near full employment, which is placing pressure on the supply of available talent and increasing our value to clients. This is particularly true in technology staffing, and we are responding with investments to capitalize on this potential. Locating hard-to-find talent is our specialty at Robert Half.

The secular demand for temporary staffing also is ongoing. The use of flexible workers matched an all-time high during the fourth quarter. Temporary employees now represent 2.06 percent of the U.S. workforce.

And a word about Protiviti. We continue to be pleased with how Protiviti is performing. This is a very good business with an excellent management team. Protiviti has successfully diversified its service offerings, built a loyal and growing client base, and is seeing steady demand in all of its major consulting segments. Protiviti serves its clients in areas such as internal audit and financial advisory services, risk and compliance, and information technology consulting, 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.

