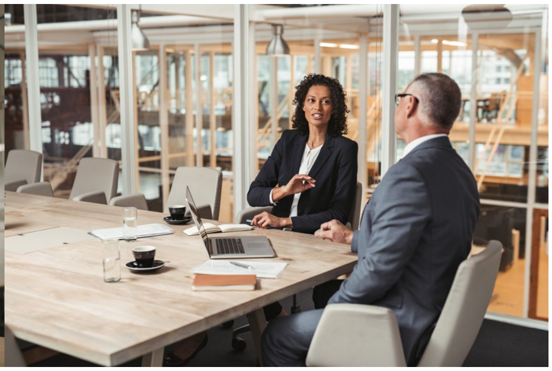
Q2 2021
CONFERENCE CALL

Prepared Remarks From:
M. Keith Waddell, President and Chief Executive Officer, Robert Half International
Michael C. Buckley, Chief Financial Officer, Robert Half International

July 22, 2021



SECOND-QUARTER 2021 FINANCIAL RESULTS CONFERENCE CALL, PREPARED REMARKS JULY 22, 2021

OPERATOR:

Hello, and welcome to the Robert Half second-quarter 2021 conference call. Our hosts for today's call are Mr. Keith Waddell, president and chief executive officer of Robert Half, and Mr. Michael Buckley, chief financial officer. Mr. Waddell, you may begin.

INTRODUCTION

M. KEITH WADDELL, PRESIDENT AND CEO, 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.

Our presentation of revenues and the related growth rates for Accountemps, OfficeTeam, Robert Half Technology and Robert Half Management Resources includes their intersegment revenues from services provided to Protiviti in connection with the Company's blended staffing and consulting solutions. This is how we measure and manage these divisions internally. The combined amount of divisional intersegment revenues with Protiviti is also separately disclosed. The supplemental schedules just mentioned also include a revenue schedule showing this information for 2019 through 2021.

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

We achieved record levels of revenues and earnings in the second quarter due to a broad-based, global acceleration in demand for our staffing and business consulting services. We were particularly pleased with the strength of our permanent placement and Protiviti operations, which grew year-over-year revenues by 102 percent and 62 percent, respectively. Protiviti reached its 15th consecutive quarter of revenue gains with very strong growth in each of its solution areas.

I am extremely proud of our staffing, Protiviti and corporate services professionals who are the key to our success.

Companywide revenues were $1.581 billion in the second quarter of 2021, up 43 percent from last year's second quarter on a reported basis, and up 40 percent on an as-adjusted basis.

Net income per share in the second quarter was $1.33, increasing 227 percent compared to 41 cents in the second quarter one year ago.

Cash flow from operations during the quarter was $165 million. In June, we distributed a $0.38 per share cash dividend to our shareholders of record, for a total cash outlay of $42 million. We also acquired approximately 717,000 Robert Half shares during the quarter, for $63 million. We have 8.4 million shares available for repurchase under our board-approved stock repurchase plan.

Return on invested capital for the Company was 49 percent in the second quarter.

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

MICHAEL C. BUCKLEY, CFO, ROBERT HALF:

Revenues

Thank you, Keith. Hello, everyone.

As Keith noted, global revenues were $1.581 billion in the second quarter.

On an as-adjusted basis, second-quarter staffing revenues were up 33 percent year-over-year. U.S. staffing revenues were $855 million, up 34 percent from the prior year. Non-U.S. staffing revenues were $267 million, up 31 percent year-over-year on an as-adjusted basis. We have 322 staffing locations worldwide, including 86 locations in 17 countries outside the United States.

In the second quarter, there were 63.4 billing days, unchanged from the same quarter one year ago. The current third quarter has 64.4 billing days, compared to 64.3 billing days in the third quarter one year ago.

Currency exchange rate movements during the second quarter had the effect of increasing reported year-over-year staffing revenues by $24 million. This impacted our year-over-year reported staffing revenue growth rate by 2.9 percentage points.

Temporary and consultant bill rates for the quarter increased 3.7 percent compared to one year ago, adjusted for changes in the mix of revenues by line of business, currency and country. This rate for Q1 2021 was 3.4 percent.

Now, let's take a closer look at results for Protiviti. Global revenues in the second quarter were $459 million: $366 million of that is from business within the United States, and $93 million is from operations outside the United States. On an as-adjusted basis, global second-quarter Protiviti revenues were up 59 percent versus the year-ago period, with U.S. Protiviti revenues up 63 percent. Non-U.S. revenues were up 43 percent on an as-adjusted basis. Exchange rates had the effect of increasing year-over-year Protiviti revenues by $8 million and increasing its year-over-year reported growth rate by 2.8 percentage points. Protiviti and its independently owned Member Firms serve clients through a network of 86 locations in 28 countries.

SG&A Presentation

We remind you that changes in the Company's deferred compensation obligations are classified as SG&A or, in the case of Protiviti, costs of services, with completely offsetting changes in the related trust investment assets classified separately below SG&A. Previously they were both classified as SG&A. Our historical discussion of consolidated operating income has been replaced with the non-GAAP measure of combined segment income. This is calculated as consolidated income before income taxes, adjusted for interest income and amortization of intangible assets.

For your convenience, we've included a supplemental schedule to today's earnings release on Page 7, highlighting the impact of changes in the deferred compensation accounts to the Summary of Operations for the second quarter of 2021 and 2020. This is a non-GAAP disclosure, so we also show a reconciliation to GAAP.

Gross Margin

Turning now to gross margin: In our temporary and consultant staffing operations, second-quarter gross margin was 39.7 percent of applicable revenues, compared to 37.1 percent of applicable revenues in the second quarter one year ago.

Our permanent placement revenues in the second quarter were 12.8 percent of consolidated staffing revenues, versus 8.6 percent of consolidated staffing revenues in the same quarter one year ago. When combined with temporary and consultant gross margin, overall staffing gross margin increased 490 basis points compared to the year-ago second quarter, to 47.4 percent.

For Protiviti, gross margin was 29.1 percent of Protiviti revenues, compared to 23.4 percent of Protiviti revenues one year ago. Adjusted for the effect of deferred compensation expense related to changes in the underlying trust investment assets as previously mentioned, adjusted gross margin for Protiviti was 30.0 percent for the quarter just ended, compared to 25.7 percent one year ago.

Selling, General and Administrative Costs

Companywide SG&A costs were 30.9 percent of global revenues in the second quarter, compared to 36.7 percent in the same quarter one year ago. Changes in deferred compensation obligations related to increases in underlying trust investments had the impact of increasing SG&A as a percent of revenue by 1.5 percent in the current second quarter and increasing SG&A by 3.8 percent in the same quarter one year ago. When adjusted for these changes, companywide SG&A costs were 29.4 percent for the quarter just ended, compared to 32.9 percent one year ago.

Staffing SG&A costs were 38.4 percent of staffing revenues in the second quarter, versus 44.2 percent in Q2 2020. Included in staffing SG&A costs was deferred compensation expense related to increases in the underlying trust investment assets of 2.1 percent in the second quarter, compared to expense of 5.1 percent related to increases in the underlying trust investment assets in the same quarter one year ago. When adjusted for these changes, staffing SG&A costs were 36.3 percent for the quarter just ended, compared to 39.1 percent one year ago.

Second-quarter SG&A costs for Protiviti were 12.5 percent of Protiviti revenues, compared to 15.1 percent of revenues in the year-ago period.

Segment Income

Operating income for the quarter was $177 million. This includes $28 million of deferred compensation expense related to increases in the underlying trust investment assets. Combined segment income was therefore $205 million in the second quarter. Combined segment margin was 12.9 percent. Second-quarter segment income from our staffing divisions was $125 million, with a segment margin of 11.1 percent. Segment income for Protiviti in the second quarter was $80 million, with a segment margin of 17.4 percent.

Tax Rate

Our second-quarter tax rate was 27 percent, compared to 20 percent one year ago. The comparative rate in 2020 was lower than normal due to adjustments made to the estimates of the pandemic impact to the 2020 tax rate.

Accounts Receivable

At the end of the second quarter, accounts receivable was $908 million, and implied days sales outstanding (DSO) was 51.6 days.

Guidance

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

Our temporary and consultant staffing divisions exited the second quarter with June revenues up 34 percent versus the prior year, compared to a 27 percent increase for the full quarter. Revenues for the first two weeks of July were up 35 percent compared to the same period one year ago.

Permanent placement revenues in June were up 83 percent versus June of 2020. This compares to a 97 percent increase for the full quarter. For the first three weeks in July, permanent placement revenues were up 83 percent compared to the same period in 2020.

We provide this information so 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: $1.61 billion to $1.69 billion
- Income per share: $1.35 to $1.45

Guidance Assumptions

The midpoint of our guidance implies new all-time high revenue and EPS levels for the Company. Midpoint revenues of 1.65 billion are 37 percent higher than 2020 and 5 percent higher than 2019 levels on an as-adjusted basis. Midpoint EPS of $1.40 is 110 percent higher than 2020 and 39 percent higher than 2019.

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

Revenue growth, year-over-year:				
Staffing:	Up	33%	to	35%
Protiviti:	Up	46%	to	48%
Overall:	Up	36%	to	38%
Gross margin percentage:				
Temporary and Consultant Staffing:		39%	to	40%
Protiviti:		29%	to	31%
Overall:		41%	to	43%
SG&A as percent of revenues, excluding deferred compensation investment impacts:				
Staffing:		35%	to	36%
Protiviti:		12%	to	13%
Overall:		29%	to	30%
Segment income:				
Staffing:		10%	to	11%
Protiviti:		17%	to	18%
Overall:		12%	to	13%
Tax Rate:		26%	to	27%
Shares:		111,500		

2021 capital expenditures and capitalized cloud computing costs: $65 to $75 million, with $15 to $20 million in the third quarter.

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 Keith.

M. KEITH WADDELL, PRESIDENT AND CEO, ROBERT HALF:

Thank you, Mike.

Our staffing results continue to reflect a faster pace of recovery than we’ve experienced in the past. Clients have lean staff levels as they begin to expand, which is exacerbated by generally higher levels of attrition. Also, as they look remotely to fill their needs, clients are elevating the experience requirements for their job openings, which further adds to the demand for our services. The recovery is also very broad-based and spans across industries, client size, skill levels, geographies, and lines of business. The National Federation of Independent Business, NFIB, recently reported that 56 percent of small businesses had few or no qualified applicants for open positions, and 46 percent had job openings that could not be filled. This speaks well of the ongoing demand environment.

Protiviti's multiyear record of consecutive growth continues to benefit from a highly diversified suite of solution offerings and client base. Blended solutions with staffing pair Protiviti's world-class consulting talent with staffing's deep operational resources to provide a cost-effective solution to clients' skills and scalability needs. Protiviti has also benefited from project work in the public sector resulting from various federal and state stimulus programs. Approximately 100 million dollars in revenue this quarter resulted from work related to these programs, or approximately 7 cents of our earnings per share. Growth in this public sector business contributed 32 points to Protiviti's year-on-year growth rate of 62 percent, while the core business accelerated to a growth rate of 30 percent. Core growth was strong across internal audit, technology consulting, risk and compliance consulting, and business process improvement with internal audit showing the most acceleration. Public sector revenues represent 6 percent of total revenues and contributed 8 points to the Company's overall 40 percent growth rate.

A year ago, the world faced an uncertain future with extraordinary challenges ahead. Along the way we have continued to invest in our tenured, high performing workforce. We also strengthened our investments in advanced AI technology, enabling our professionals to help clients with critical talent and consulting needs and find solutions across broad resource pools. As a result, we closed the quarter with an employee base that is more engaged and productive than ever, with all-time high revenues, and strong momentum leading into the second half.

Bolstered by the strengths of our brands, our people, our technology and our professional business model, we are excited about our continued ability to find meaningful and exciting employment for the people we place and provide clients access to the specialized talent they need to grow and the deep subject matter expertise they need to confidently compete in a dynamic world.

Finally, we would also like to thank our employees for making possible another significant recognition received this quarter, as Forbes named us America's Best Professional Recruiting Firm.

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 CEO, 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 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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