Q3 2022 CONFERENCE CALL

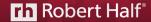
Prepared Remarks From:

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

October 20, 2022







THIRD-QUARTER 2022 FINANCIAL RESULTS CONFERENCE CALL, PREPARED REMARKS OCTOBER 20, 2022

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OPERATOR:

Hello, and welcome to the Robert Half third-quarter 2022 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

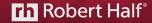
M. KEITH WADDELL, PRESIDENT AND CEO, ROBERT HALF:

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 each of our contract functional specializations includes intersegment revenues from services provided to Protiviti in connection with the Company's blended talent solutions and consulting operations. This is how we measure and manage these businesses internally. The combined amount of intersegment revenues with Protiviti is also separately disclosed. The supplemental schedules just mentioned also include a revenue schedule showing this information for 2020 through 2022.



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

We are pleased to report third quarter year-over-year revenue growth of 7 percent (10 percent adjusted for currency) over and above the very strong growth of 44 percent in the same quarter last year. Permanent placement led the way, growing 17 percent (20 percent adjusted for currency), and Protiviti revenues reached new all-time highs.

Our results are a testament to the strength of our global teams as they demonstrate their agility and persistence, which makes our success possible.

Companywide revenues were \$1.833 billion in the third quarter of 2022, up 7 percent from last year's third quarter on a reported basis, and up 10 percent on an as adjusted basis.

Net income per share in the third quarter was \$1.53, the same as in the third quarter one year ago.

Cash flow from operations during the quarter was \$179 million. In September, we distributed a 43 cent per-share cash dividend to our shareholders of record, for a total cash outlay of \$46 million. Our per-share dividend has grown 11.4 percent annually since inception in 2004. The September 2022 dividend was 13.2 percent higher than in 2021. We also acquired approximately 1.1 million Robert Half shares during the quarter for \$86 million. We have 4.7 million shares available for repurchase under our board-approved stock repurchase plan.

Return on invested capital for the Company was 45 percent in the third quarter.

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

MICHAEL C. BUCKLEY, CFO, ROBERT HALF:

Revenues

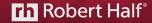
Thank you, Keith. Hello, everyone.

As Keith noted, global revenues were \$1.833 billion in the third quarter.

On an as adjusted basis, third-quarter talent solutions revenues were up 12 percent year over year. U.S. talent solutions revenues were \$1.049 billion, up 13 percent from the prior year. Non-U.S. talent solutions revenues were \$273 million, up 10 percent year over year on an as adjusted basis. We have 316 talent solutions locations worldwide, including 85 locations in 17 countries outside the United States.

In the third quarter, there were 64.3 billing days, compared to 64.4 billing days in the same quarter one year ago. The current fourth quarter has 61.2 billing days, compared to 61.7 billing days one year ago. For 2023, billing days by quarter will be 63.3, 63.4, 63.1 and 61.1 for a total of 250.9.

Currency exchange rate movements during the third quarter had the effect of decreasing reported year-over-year total revenues by \$45 million — \$32 million for talent solutions and \$13 million for Protiviti. This negatively impacted our year-over-year overall revenue growth rate by



2.6 percentage points — 2.7 percentage points for talent solutions and 2.6 percentage points for Protiviti.

Contract talent solutions bill rates for the quarter increased 9.0 percent compared to one year ago, adjusted for changes in the mix of revenues by functional specialization, currency and country. This rate for the second quarter was 8.2 percent.

Now let's take a closer look at results for Protiviti. Global revenues in the third quarter were \$511 million: \$416 million of that is from business within the United States, and \$95 million is from operations outside the United States. On an as adjusted basis, global third-quarter Protiviti revenues were up 5 percent versus the year-ago period, with U.S. Protiviti revenues up 4 percent. Non-U.S. revenues were up 7 percent on an as adjusted basis. Protiviti and its independently owned Member Firms serve clients through a network of 89 locations in 29 countries.

Companywide third-quarter public sector revenues were \$89 million, of which \$63 million was reported by Protiviti and the balance reported by talent solutions. Currency exchange rates had the effect of decreasing year-over-year public sector revenues by approximately \$5 million. We expect fourth-quarter 2022 public sector revenues to be \$80 to \$90 million, which will result in full year revenues being down approximately 6 percent (2 percent adjusted for currency).

Gross Margin

Turning now to gross margin: In contract talent solutions, third-quarter gross margin was 39.4 percent of applicable revenues, compared to 40.0 percent of applicable revenues in the third quarter one year ago. Conversion revenues (or contract-to-hire) were 4.1 percent of revenues in the quarter.

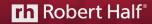
Our permanent placement revenues in the third quarter were 13.8 percent of consolidated talent solutions revenues, versus 12.9 percent of consolidated talent solutions revenues in the same quarter one year ago. When combined with contract talent solutions gross margin, overall talent solutions gross margin was 47.8 percent, compared to 47.7 percent of applicable revenues in the third quarter one year ago.

For Protiviti, gross margin was 30.5 percent of Protiviti revenues, compared to 29.5 percent of Protiviti revenues one year ago. Adjusted for deferred-compensation-related classification impacts, gross margin for Protiviti was 30.0 percent for the quarter just ended, compared to 29.4 percent one year ago.

Selling, General and Administrative Costs

Enterprise SG&A costs were 29.9 percent of global revenues in the third quarter, compared to 28.9 percent in the same quarter one year ago. Adjusted for deferred-compensation-related classification impacts, enterprise SG&A costs were 30.6 percent for the quarter just ended, compared to 29.0 percent one year ago.

Talent solutions SG&A costs were 35.3 percent of talent solutions revenues in the third quarter, versus 35.9 percent in the third quarter of 2021. Adjusted for deferred-compensation-related classification impacts, talent solutions SG&A costs were 36.3 percent for the quarter just ended, compared to 36.0 percent one year ago. The higher mix of permanent placement revenues this



quarter versus one year ago had the effect of adding 0.4 percentage points to the quarter's adjusted SG&A ratio.

Third-quarter SG&A costs for Protiviti were 16.0 percent of Protiviti revenues, compared to 12.1 percent of revenues in the year-ago period as operating expenditures returned to more normal levels.

Segment Income

Operating income for the quarter was \$239 million. Adjusted for deferred-compensation-related classification impacts, combined segment income was \$224 million in the third quarter. Combined segment margin was 12.2 percent. Third-quarter segment income from our talent solutions divisions was \$152 million, with a segment margin of 11.5 percent. Segment income for Protiviti in the third quarter was \$72 million, with a segment margin of 14.0 percent.

Tax Rate

Our third-quarter tax rate was 26 percent, up from 25 percent for the same quarter one year ago.

Accounts Receivable

At the end of the third quarter, accounts receivable were \$1.101 billion, and implied days sales outstanding (DSO) was 54.0 days.

Guidance

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

Contract talent solutions exited the third quarter with September revenues up 6 percent versus the prior year, compared to an 11 percent increase for the full quarter. Revenues for the first week of October were up 5 percent compared to the same period one year ago.

Permanent placement revenues in September were up 17 percent versus September of 2021. This compares to a 20 percent increase for the full quarter. For the first two weeks in October, permanent placement revenues were up 2 percent compared to the same period in 2021.

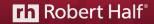
We provide this information so you have insight into some of the trends we saw during the third quarter and into October. But as you know, these are very brief time periods. We caution against reading too much into them.

With that in mind, we offer the following fourth-quarter guidance:

- Revenues: \$1.695 billion to \$1.775 billion
- Income per share: \$1.31 to \$1.41

Guidance Assumptions

Midpoint revenues of \$1.735 billion are 1.7 percent higher than the same period in 2021 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	1%	to Up	4%
Protiviti:	Up	1%	to	4%
Overall:	Flat	0%	to Up	4%
Gross margin percentage:				
Contract talent:		38%	to	40%
Protiviti:		27%	to	29%
Overall:		41%	to	43%
SG&A as percent of revenues, excluding deferred-compensation classification impacts:				
Talent solutions:		36%	to	38%
Protiviti:		14%	to	16%
Overall:		30%	to	32%
Segment income:				
Talent solutions:		10%	to	12%
Protiviti:		13%	to	15%
Overall:		11%	to	13%
Tax Rate:		26%	to	27%
Shares:		107 to 108 million		

Fourth-quarter capital expenditures and capitalized cloud computing costs: \$15 million to \$20 million.

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.

Global labor markets remain tight and clients continue to hire, albeit at a more conservative pace. Demand for talent remains high, notwithstanding the increasingly uncertain economic outlook, although the sales cycle has lengthened. Many clients are becoming more selective and requesting to see more candidates for their open positions. They are adding more steps to their hiring processes, and prioritizing onsite or "local" hybrid candidates, who take longer to hire.

At the same time, talent shortages persist. In the United States, job openings and quit rates remain at elevated levels although modestly off their highs. The unemployment rate stands at 3.5 percent, a 50-year low, while the rate for those with a college degree — more representative of our candidate base — is half that, at 1.8 percent. The National Federation of Independent Business, NFIB, recently reported that 89 percent of small business owners hiring or trying to hire had few or no qualified applicants, and 46 percent of all small business owners had job openings that could not be filled.

Many candidates continue to prefer remote and hybrid working models — a structural shift that is expected to remain. Sourcing from this talent pool plays to our numerous strengths, including our global brand, office network, candidate database and advanced Al-driven technologies. Many times, clients' very specialized needs are only available on a remote basis.

Protiviti demand remains very strong, particularly in the internal audit and regulatory risk and compliance practices. Protiviti has successfully overcome the combined headwinds of much larger comparables (55 percent growth in the same quarter a year ago), the wind-down of a very large financial services project and a shift in public sector client demand over to talent solutions — and still achieved record revenues for the quarter. Protiviti's pipeline remains robust and is little impacted by current economic conditions.

While short-term talent solutions results may be impacted by a more uncertain macroeconomic environment, we remain optimistic about our overall outlook. We have successfully navigated many economic cycles, each time achieving higher peaks. Our recovery to new peaks from the recent COVID-19 downturn was the fastest in our history. We also benefit from Protiviti's resiliency, which stems from its diversified solutions offerings that are much less tied to the economic cycle. This is demonstrated by Protiviti's ability to grow through the last downturn. We have also demonstrated our ability to be nimble with our cost structure, aided by our Al-driven technology advancements, which continue.

As always, our success is driven by the strength of our people, our technology, our brand and our business model. We remain steadfast in our focus on our purpose: to connect people to meaningful work and provide clients with the talent and subject matter expertise they need to confidently compete and grow.

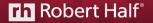
Finally — we're proud to have received several new accolades this quarter. We were named by **FORTUNE** as one of the **Best Workplaces for Women™** and by **Forbes** as one of the **World's Best Employers**. The Robert Half Mobile App has been recognized for its excellence in innovation, receiving five awards in recent months — including a **Gold Stevie**. None of this recognition would be possible without the dedication and commitment of our employees across the globe.

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 <u>roberthalf.com</u>. 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.