Q1 2015
CONFERENCE CALL

Prepared Remarks From:
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Robert Half®

FIRST-QUARTER 2015 FINANCIAL RESULTS
CONFERENCE CALL, APRIL 23, 2015
PREPARED REMARKS

OPERATOR:
Hello, and welcome to the Robert Half first-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:

Hello, everyone. We appreciate your time today.

Before we begin, I'd like to point out that some of the comments we'll make on today's call 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 statements made on today's call.

For your convenience, our prepared remarks are available now on our website at www.roberthalf.com. Click on Investor Center, then the Quarterly Conference Calls link.

Now, let's review our first-quarter results. First-quarter 2015 revenues were $1.21 billion. This is an 11-percent increase from the year-ago first quarter. Income per share was 58 cents, up 28 percent from last year. Cash flow from operations was $84 million in the first quarter. Capital expenditures were $13 million.

It has been our longstanding practice to return cash to stockholders through open market share repurchases and cash dividend payments. In February, we increased the quarterly cash dividend from $0.18 to $0.20 per share. This was the 10th consecutive year we have raised the dividend amount for our shareholders. We paid the dividend on March 13, at a cost of $27 million.

We also repurchased 500,000 Robert Half shares during the quarter, at a cost of $29 million. There are approximately 4.3 million shares available for repurchase under our board-approved stock repurchase plan.

Led by Protiviti and Robert Half Technology, all of our divisions contributed to a solid first quarter. We saw broad-based revenue gains and higher service demand in every line of business. First-quarter revenues from our staffing operations were up 10 percent from the year-ago first quarter. Protiviti revenues for the quarter were up 22 percent.

Growth rates remained the strongest in our U.S. operations, but currency-adjusted revenues outside the United States grew nicely, too.

This was Robert Half's 20th straight quarter of double-digit net income and earnings per share percentage growth on a year-over-year basis. Unlevered return on equity was 32 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

Thanks, Max. Consolidated revenues were $1.21 billion in the first quarter. This is up 11 percent from the first quarter of 2014 on a reported basis, and up 16 percent on a same-day, currency-adjusted basis.

First-quarter global staffing revenues were up 14 percent on a same-day, currency-adjusted basis. U.S. staffing revenues were $827 million in the first quarter, up 16 percent on a same-day basis. Non-U.S. staffing revenues were $215 million, up 10 percent on a same-day, currency-adjusted basis. We have 336 staffing locations worldwide, including 94 locations in 17 countries outside the United States.

The first quarter had 62.0 billing days, compared to 62.4 days in the first quarter one year ago. This negatively impacted year-over-year growth rates by 1 percent. The current quarter has 63.2 billing days, which is the same as the second quarter of last year.

Currency exchange rates had the effect of decreasing year-over-year staffing revenues by $35 million in the first quarter. Exchange rates also decreased year-over-year reported staffing growth rates by 4 percent.

Each quarter, we include a supplemental schedule with our earnings release that shows year-over-year revenue growth rates for our various staffing lines of business on a reported basis, as well as on a same-day, currency-adjusted basis. The schedule further segments the data by U.S. and non-U.S. operations. You can find the schedule in today's press release and in the Investor Center of our website. This is a non-GAAP financial measure that provides information on certain revenue trends in our staffing operations.

Global revenues for Protiviti were $164 million in the first quarter, with $136 million in revenues in the United States and $28 million in revenues outside the U.S. Worldwide Protiviti revenues were up 27 percent year over year on a same-day, currency-adjusted basis. U.S. revenues were up 28 percent and non-U.S. revenues were up 21 percent from the prior year. Exchange rates had the effect of decreasing year-over-year Protiviti revenues by $4 million in the first quarter and decreasing year-over-year reported growth rates by 3 percent. Protiviti and its independently owned Member Firms serve clients through a network of 73 locations in 24 countries.

Gross Margin

Gross margin in our temporary and consulting staffing operations in the first quarter was 37 percent of applicable revenues. This is up 90 basis points from the same period one year ago. The improvement includes higher pay/bill spreads and higher temp-to-hire conversion fees.

First-quarter revenues for our permanent placement operations were 9.4 percent of consolidated staffing revenues, compared to 9.7 percent of consolidated staffing revenues in the first quarter of 2014. Together with temporary and consulting gross margin, overall staffing gross margin improved 60 basis points versus one year ago, to 42.9 percent.

First-quarter gross margin for Protiviti was $47 million, or 28.8 percent of Protiviti revenues. Gross margin one year ago for Protiviti was $37 million, or 27.4 percent of Protiviti revenues.

Selling, General and Administrative Costs

Staffing SG&A costs were 32.2 percent of staffing revenues in the first quarter versus 32.3 percent in last year's first quarter.

SG&A costs for Protiviti were 18.8 percent of Protiviti revenues in the first quarter compared to 21.9 percent of Protiviti revenues in the year-ago period.

Operating Income

Operating income from our staffing divisions was $112 million in the first quarter, up 18 percent from the prior year. Operating margin was 10.7 percent. Our temporary and consulting staffing divisions reported $93 million in operating income, an increase of 20 percent over the prior year. This resulted in an operating margin of 9.8 percent. Operating income for our permanent placement division was $19 million in the first quarter, up 10 percent from the prior year and producing an operating margin of 19.3 percent.

First-quarter operating profit for Protiviti was $16 million, an increase of 121 percent from the prior year. This produced an operating margin of 9.9 percent.

Accounts Receivable

At the end of the first quarter, accounts receivable were $661 million. Implied days sales outstanding (DSO) was 49.9 days.

Guidance

Before we move to second-quarter guidance, let's review the monthly trends we saw in the first quarter — and so far in April:

- In the U.S., year-over-year growth rates for our temporary and consulting divisions accelerated in January, slowed somewhat in February and held steady in March.
- Also in the U.S., year-over-year growth rates for our permanent placement divisions accelerated in January, decelerated in February and held steady in March.
- Outside the U.S., year-over-year temporary and consulting staffing growth rates accelerated in January, decelerated in February and decelerated again in March. Permanent placement growth rates outside the U.S. accelerated in January, lost a little momentum in February and held steady in March.

- For the first two weeks of April, revenues for our temporary and consulting operations were up 13 percent on a same-day, currency-adjusted basis compared to the same period last year, with U.S. temporary and consulting revenues up 13 percent and non-U.S. temporary and consulting revenues up 11 percent.
- For the first three weeks of April, permanent placement revenues were up 9 percent on a same-day, currency-adjusted basis compared to the same period last year, with U.S. perm revenues up 12 percent and non-U.S. perm revenues up 2 percent.

This information is designed to give you additional insight into trends we saw during the first quarter and so far in April but, as you know, it is difficult to read a great deal into these numbers given the short time periods they represent.

With that said, we offer the following second-quarter guidance:
- Revenues: $1 billion, 245 million to $1 billion, 295 million
- Income per share: $0.63 to $0.68

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. As noted earlier, all areas of the business contributed to a solid first quarter for the company. The labor market in the United States is stronger than it has been in more than a decade. Initial jobless claims, based on the four-week moving average, are at their lowest level in nearly 15 years, and skills shortages persist in many occupations. Technology staffing is the most supply-constrained area of staffing, but demand extends to other specialties as well.

The Bureau of Labor Statistics reports unemployment rates for specific occupations on a quarterly basis. Many of the specialized fields we serve have rates that are less than half the overall U.S. rate of unemployment. This includes many technology and accounting positions as well as creative and marketing roles, particularly those that are web-related. We are seeing similar trends outside the United States. As labor markets tighten, clients place a premium on recruiting hard-to-find candidates, which is our strong suit.

Of particular significance for our business, the demand for temporary workers also has risen. Today, flexible staffing has become a key way for employers to manage workflow and control labor costs.

Protiviti again reported impressive growth rates during the first quarter. We are very pleased with how this business is performing right now. Demand is strong in all three of its principal service areas: internal audit, financial services risk and compliance, and IT controls and security.

The collaboration between our staffing divisions and Protiviti is also resulting in new business. We offer clients a full spectrum of services ranging from staff augmentation to full-service consulting and project-based deliverables.

At this time, we will be happy to answer questions. We would request that you please limit yourself to one question and a single follow-up, as needed. If time permits, we will try to return to you later in the call if you have additional questions.

(After the last question is answered the Operator will turn the call over to Max.)

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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