Q1 2017
CONFERENCE CALL

Prepared Remarks From:
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April 20, 2017

Robert Half®

FIRST-QUARTER 2017 FINANCIAL RESULTS
CONFERENCE CALL, APRIL 20, 2017
PREPARED REMARKS

OPERATOR:

Hello, and welcome to the Robert Half first-quarter 2017 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.

Let's review our financial results for the first quarter of 2017. Quarterly revenues were $1.287 billion, down 2 percent on a same-day, constant-currency basis, and down 1 percent on a reported basis from the first quarter of 2016. Income per share was 62 cents. Cash flow from operations was $124 million in the first quarter and capital expenditures were $10 million.

We returned $31 million to our shareholders during the quarter through a $0.24 per share cash dividend. We raised the cash dividend from $0.22 per share to $0.24 in February. We also repurchased 1.1 million Robert Half shares for $54 million during the quarter. We have 5.2 million shares available for repurchase under our board-approved stock repurchase plan.

We were pleased with our financial results for the first quarter, particularly our international staffing operations and Protiviti. While the U.S. economic environment is largely stable, and the job market is strong, the hiring cycle remains uncharacteristically long as employers take more time to make hiring decisions. Recent reports show a noticeable improvement in optimism about economic prospects, which should shorten the hiring cycle and benefit our business.

Robert Half's return on invested capital was 29 percent during the first quarter.

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, Max. As just noted, global revenues were $1.287 billion in the first quarter. This is down 1 percent from the first quarter of 2016 on a reported basis, and down 2 percent on a same-day, constant-currency basis.

Revenues for our staffing business were down 3 percent in the first quarter, on a same-day, constant-currency basis. U.S. staffing revenues were $858 million in the first quarter, down 6 percent on a same-day basis. Non-U.S. staffing revenues were $233 million, up 9 percent when adjusted for billing days and currency-exchange rates. We have 325 staffing locations worldwide, including 83 locations in 17 countries outside the United States.

The first quarter had 63.4 billing days, compared to 62.7 days in the first quarter of 2016. The current second quarter has 63.3 billing days, compared to 63.9 days in the second 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 $6 million in the first quarter, which decreased year-over-year reported staffing growth rates by 0.5 percent.

First-quarter global revenues for Protiviti were $196 million, with $165 million coming from revenues in the United States and $31 million from revenues outside the United States. Protiviti revenues were up 4 percent year over year on a same-day, constant-currency basis.

U.S. Protiviti revenues were up 4 percent from the prior year on a same-day basis, and non-U.S. revenues were up 7 percent. 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 0.6 percent. Protiviti and its independently owned Member Firms serve clients through a network of 75 locations in 25 countries.

Gross Margin

Let's talk now about gross margin in the first quarter. Gross margin in our temporary and consulting staffing operations was 37.4 percent of applicable revenues. This is a 30 basis-point improvement from the same period one year ago and relates primarily to higher pay/bill spreads.

Revenues for our permanent placement operations were 9.5 percent of consolidated staffing revenues in the first quarter of 2017, which is flat compared to last year's first quarter. Together with temporary and consulting gross margin, overall staffing gross margin improved 20 basis points versus one year ago, to 43.3 percent.

First-quarter gross margin for Protiviti was $53 million, or 27.0 percent of Protiviti revenues. A year ago, Protiviti gross margin was $51 million, or 27.4 percent of Protiviti revenues.

Selling, General and Administrative Costs
Staffing SG&A costs were 33.4 percent of staffing revenues in the first quarter versus 32.4 percent in the previous year's first quarter.

First-quarter SG&A costs for Protiviti were 18.4 percent of Protiviti revenues compared to 19.6 percent of Protiviti revenues in the year-ago period.

Operating Income
Operating income from our staffing divisions was $109 million in the first quarter, down 9 percent from the prior year. Operating margin was 10.0 percent. Our temporary and consulting staffing divisions reported $91 million in operating income. This was a decrease of 8 percent from 2016 and resulted in an operating margin of 9.2 percent. Operating income for our permanent placement division was $18 million in the first quarter, down 15 percent from the prior year and producing an operating margin of 17.7 percent. First-quarter operating profit for Protiviti was $17 million, an increase of 16 percent from the prior year, producing an operating margin of 8.6 percent.

Accounts Receivable
At the end of the first quarter, accounts receivable were $700 million. Implied days sales outstanding (DSO) was 49.5 days.

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

First-quarter revenue growth rates for our temporary and consulting staffing divisions, while negative, gradually improved during the quarter, led by our international operations. We exited the quarter with March down 2.2 percent versus the prior year, compared to a 2.8 percent decline for the full quarter. Revenue growth for the first week of April was negative 2.5 percent compared to the prior year.

First-quarter global permanent placement revenue growth rates, which were also negative, also improved during the quarter both in the U.S. and internationally. March revenues were up 3.3 percent versus last year, compared to a 3.1 percent decline reported for the full quarter. For the first two weeks in April, permanent placement revenues were down 5.2 percent compared to the same period last year.

This information is designed to provide you with insight into the 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, 275 million to $1 billion, 335 million
- Income per share: $0.61 to $0.67

The midpoint of our guidance implies year-over-year revenue declines of 3 percent on a reported basis and 1 percent adjusted for days and currency (including Protiviti), and an EPS decline 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. Moderate U.S. economic growth (in the range of 1.9 percent to 2.3 percent) is forecast for 2017. Notwithstanding the slower first-quarter start (1.4 percent GDP growth, according to the Wall Street Journal's monthly Economic Forecasting Survey), recent data from several sources, including the NFIB, PMI Services Activity Index and the University of Michigan Consumer Sentiment Index, all point to a more upbeat business outlook. We believe the wait-and-see approach to hiring that has affected our results should fade as economic optimism grows.

As labor markets continue to tighten, particularly for our professional occupations, we will benefit from our decades of experience helping clients find the right candidates even amid talent shortages. Outside the U.S., we are encouraged by the opportunities afforded by improving economic conditions, particularly in Continental Europe.

And a final note about Protiviti, which had another strong quarter. Protiviti has been broadening its practice areas and now serves clients in a wide range of consulting areas. These include business performance improvement; data management and advanced analytics; digital transformation; forensics; technology consulting; internal audit and financial advisory services; risk and compliance; and transaction services. We could not be more pleased with the evolution of this business and its strong performance.

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.

Q&A SESSION

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.