



Q3 2024

Financial Results Conference Call

Prepared Remarks From:

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Third-Quarter 2024 Financial Results Conference Call Prepared Remarks October 22, 2024

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OPERATOR:

Introduction

M. Keith Waddell, President and Chief Executive Officer, 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.

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

For the third quarter of 2024, companywide revenues were \$1.465 billion, down 6 percent from last year's third quarter on an as reported basis, and down 8 percent on an as adjusted basis.

Net income per share in the third quarter was \$0.64, compared to \$0.90 in the third quarter one year ago.

Revenues and earnings for the third quarter exceeded our expectations, driven by very strong results from Protiviti, which posted sequential and year-on-year revenue gains. While client budgets remain constrained and decision cycles extended, business confidence levels are improving, aided by continuing progress on inflation and the beginning of a global rate-cutting cycle. This is reflected in our most recent weekly sequential results, which have been stable and consistent for the past 12 to 14 weeks. We continue to be confident — both in our ability to weather the current climate and in our future growth prospects as the macro landscape improves.

We remain well-positioned to capitalize on emerging opportunities and support our clients' growth initiatives with the strength of our industry-leading brand, people, technology and unique business model that includes both professional staffing and business consulting services.

Cash flow from operations during the quarter was \$130 million. In September, we distributed a 53 cent-per-share cash dividend to our shareholders of record, for a total cash outlay of \$54 million. Our per-share dividend has grown 11.3 percent annually since its inception in 2004. The September 2024 dividend was 10.4 percent higher than the prior year. We also acquired approximately 800 thousand Robert Half shares during the quarter for \$49 million. We have 8.3 million shares available for repurchase under our board-approved stock repurchase plan.

Return on invested capital for the Company was 18 percent in the third quarter.

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

Michael C. Buckley, CFO, Robert Half:

Thank you, Keith. Hello, everyone.

Revenues

As Keith noted, global revenues were \$1.465 billion in the third quarter.

On an as adjusted basis, third-quarter talent solutions revenues were down 13 percent year over year. U.S. talent solutions revenues were \$725 million, down 13 percent from the prior year's third quarter. Non-U.S. talent solutions revenues were \$229 million, down 13 percent year over year. We conduct talent solutions operations through offices in the United States and 17 other countries.

In the third quarter, there were 64.1 billing days, compared to 63.1 billing days in the same quarter one year ago. The fourth quarter of 2024 has 61.6 billing days, compared to 61.1 billing days during the fourth quarter of 2023.

Currency exchange rate fluctuations during the third quarter had a de minimis impact to reported revenues.

Contract talent solutions bill rates for the third quarter increased 3.2 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 3.1 percent.

Now let's take a closer look at results for Protiviti. Global revenues in the third quarter were \$511 million: \$421 million of that is from the United States, and \$90 million is from outside the United States. On an as adjusted basis, global third-quarter Protiviti revenues were up 5 percent versus the year-ago period. U.S. Protiviti revenues were up 8 percent, while non-U.S. Protiviti revenues were down 8 percent. Protiviti and its independently owned Member Firms serve clients through locations in the United States and 29 other countries.

Gross Margin

Turning now to gross margin: In contract talent solutions, third-quarter gross margin was 38.9 percent of applicable revenues, versus 39.8 percent in the third quarter one year ago. Conversion revenues (or contract-to-hire) were 3.3 percent of revenues in the quarter, compared to 3.5 percent of revenues in the quarter one year ago.

Our permanent placement revenues were 12.9 percent of consolidated talent solutions revenues in both the current quarter and the third quarter of 2023. When combined with contract talent solutions gross margin, overall gross margin for talent solutions was 46.8 percent, compared to 47.5 percent of applicable revenues in the third quarter last year.

For Protiviti, gross margin was 24.6 percent of Protiviti revenues, compared to 26.2 percent of Protiviti revenues one year ago. Adjusted for the amount of deferred compensation that is completely offset by investment income related to employee deferred compensation trusts (the "Deferred Compensation Investment Income Offset"), gross margin for Protiviti was 25.8 percent for the quarter just ended, compared to 25.6 percent last year.

Selling, General and Administrative Costs

Enterprise SG&A costs were 34.9 percent of global revenues in the third quarter, compared to 31.8 percent in the same quarter one year ago. Adjusted for the Deferred Compensation Investment Income Offset, enterprise SG&A costs were 33.3 percent for the quarter just ended, compared to 32.5 percent last year.

Talent solutions SG&A costs were 45.2 percent of talent solutions revenues in the third quarter, versus 39.3 percent in the third quarter of 2023. Adjusted for the Deferred Compensation Investment Income Offset, talent solutions SG&A costs were 42.8 percent for the quarter just ended, compared to 40.4 percent last year.

Third-quarter SG&A costs for Protiviti were 15.6 percent of Protiviti revenues, compared to 14.7 percent of revenues for the same quarter last year.

Segment Income

Operating income for the quarter was \$61 million. Adjusted for the Deferred Compensation Investment Income Offset, combined segment income was \$90 million in the third quarter.

Combined segment margin was 6.2 percent. Third-quarter segment income from our talent solutions divisions was \$38 million, with a segment margin of 4.0 percent. Segment income for Protiviti in the third quarter was \$52 million, with a segment margin of 10.2 percent.

Income from investments held in employee deferred compensation trusts

Our third-quarter 2024 income statement includes \$29 million as income from investments held in employee deferred compensation trusts. This is completely offset by an equal amount of additional employee deferred compensation costs, which are reflected in SG&A expenses and direct costs. As such, it has no effect on our reported net income.

Tax Rate

Our third-quarter tax rate was 31 percent, compared to 30 percent one year ago.

Accounts Receivable

At the end of the third quarter, accounts receivable were \$885 million, and implied days sales outstanding (DSO) was 54.4 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 down 14 percent versus the prior year, compared to a 13 percent decrease for the full quarter. Revenues for the first two weeks of October were down 12 percent compared to the same period last year.

Permanent placement revenues in September were down 7 percent versus September 2023. This compares to a 13 percent decrease for the full quarter. For the first three weeks in October, permanent placement revenues were down 19 percent compared to the same period in 2023.

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: \$1.34 billion to \$1.44 billion
- Income per share: \$0.47 to \$0.61

Guidance Assumptions

Midpoint revenues of \$1.39 billion are 7 percent lower than the same period in 2023 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	9%	to	13%
Protiviti:	Up	3%	to	6%
Overall:	Down	4%	to	8%

Gross margin percentage:

Contract talent:		38%	to	40%
Protiviti (as adjusted for the deferred compensation investment income offset):		25%	to	27%
Overall:		38%	to	40%

SG&A as percent of revenues, adjusted for the deferred compensation investment income offset:

Talent solutions:		43%	to	45%
Protiviti:		14%	to	16%
Overall:		33%	to	35%

Segment income:

Talent solutions:		2%	to	4%
Protiviti:		10%	to	12%
Overall:		4%	to	6%

Tax Rate:		28%	to	30%
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Shares:		102 to 103 million		
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2024 capital expenditures and capitalized cloud computing costs: \$80 million to \$90 million, with \$20 to \$25 million in the fourth 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 Chief Executive Officer, Robert Half:

Thank you, Mike.

Although sales cycles are still elongated, job openings remain significantly above historical averages, indicating substantial pent-up demand for talent. While the tightness of the labor

supply has eased somewhat, the unemployment rate in the United States for those with a college degree is still only 2.3 percent, with rates for many in-demand accounting, finance and IT positions even lower.

With lower inflation and widespread expectations of further rate cuts, the NFIB's Small Business Optimism Index has been up 5 of the last 6 months. That said, the NFIB's Uncertainty Index is at all-time highs, in part due to the upcoming U.S. elections. Many economists are making upward revisions to their forecasts, and as we get past the elections, the overall macro environment should begin to improve.

As business confidence improves, hiring urgency returns, project demand accelerates, deferred backlogs and growth initiatives are re-prioritized, and labor churn normalizes. This puts pressure on client resources that are often already stretched thin and creates hiring and consulting demand that traditionally sets the stage for very strong gains for us in the early part of growth cycles.

We continue to invest in technology and innovation to fuel our core business. Our proprietary "Recruiters plus award-winning AI" strategy offers significant added value to our clients.

Protiviti reported very strong results for the quarter, achieving sequential and year-over-year revenue growth. Each of its major solutions areas performed well, particularly the regulatory risk and compliance and internal audit solutions for its financial services industry clients. Gross margin and segment income both exceeded expectations, growing more than 250 basis points sequentially on top of similar growth last quarter, reflecting ongoing efficient resource management. This includes the growing leverage of contractors with talent solutions, which represent over 40 percent of the total hours billed by Protiviti — a key part of our enterprise-wide competitive advantage. Protiviti's prospects and pipeline remain very strong, and we expect continued year-on-year revenue growth in the fourth quarter with broad participation across solutions and industries and from collaboration with talent solutions.

Aging workforce demographics and increasing client preference for flexible resources play directly into our strengths. We have weathered many economic cycles in the past, each time emerging to achieve higher peaks. We are even more confident about our future as our unique portfolio of talent solutions and consulting services positions us well as market confidence returns.

As we have done historically, we will continue to invest in our people, our technology, our industry-leading brand and our unique business model to strengthen our ability 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 would like to thank our people across the globe, whose efforts have made possible a number of new accolades. Most recently, Robert Half was named one of Fortune's Best Workplaces in Consulting & Professional Services™, one of PEOPLE's Companies that Care®, and one of the World's Best Employers by Forbes. We also received five prestigious Academy of Interactive & Visual Arts w3 Awards for recent enhancements made to our Robert Half mobile app, highlighting our ongoing commitment to innovation.

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 Chief Executive Officer, Robert Half:

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 roberthalf.com. 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.