

Robert Half (RHI)

\$56.39 (As of 08/13/20)

Price Target (6-12 Months): **\$59.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/19/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: D

Summary

Robert Half is benefiting from strength in Protiviti, the company's subsidiary through which it offers risk consulting, internal audit and information technology consulting services. Protiviti is currently a double-digit margin and revenue performer. Technology investments and global scale should drive long-term growth for Robert Half. The company's consistency in dividend payment and share buyback boosts investors' confidence by positively impacting earnings per share. On the flip side, rising expenses is likely to weigh on the company's bottom line. This may also weigh on its share price, which has declined in the year to date period. The company remains embroiled in a number of legal matters and proceedings. Robert Half operates in a highly competitive market and faces tough competition in terms of price and service reliability.

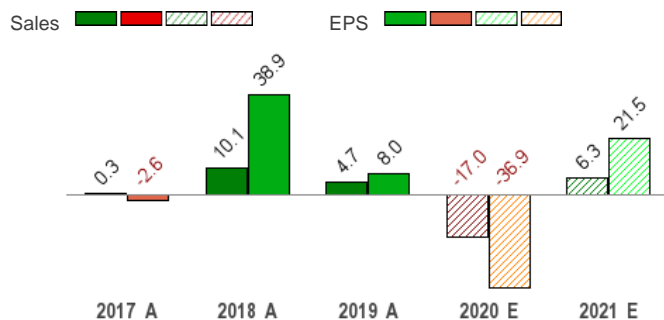
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.84 - \$32.38
20 Day Average Volume (sh)	921,732
Market Cap	\$6.5 B
YTD Price Change	-10.7%
Beta	1.54
Dividend / Div Yld	\$1.36 / 2.4%
Industry	Staffing Firms
Zacks Industry Rank	Top 35% (89 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	17.1%
Last Sales Surprise	-1.6%
EPS F1 Est- 4 week change	3.2%
Expected Report Date	10/28/2020
Earnings ESP	0.0%
P/E TTM	17.7
P/E F1	22.9
PEG F1	3.2
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,212 E	1,242 E	1,299 E	1,345 E	5,361 E
2020	1,507 A	1,108 A	1,161 E	1,219 E	5,043 E
2019	1,469 A	1,516 A	1,552 A	1,537 A	6,074 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.62 E	\$0.62 E	\$0.70 E	\$0.78 E	\$2.99 E
2020	\$0.79 A	\$0.41 A	\$0.60 E	\$0.65 E	\$2.46 E
2019	\$0.93 A	\$0.98 A	\$1.01 A	\$0.98 A	\$3.90 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/13/2020. The reports text is as of 08/14/2020.

Overview

Founded in 1948, Robert Half is one of the world's largest providers of professional consulting and staffing services. The company's specialized staffing divisions include Accountemps, Robert Half Finance & Accounting and Robert Half Management Resources — for temporary, full-time and senior-level project professionals, respectively, in the fields of accounting and finance; OfficeTeam — for highly skilled administrative support professionals; Robert Half Technology — for project and full-time technology professionals; Robert Half Legal — for project and full-time staffing of lawyers, paralegals and legal support personnel; and The Creative Group — for creative, digital, marketing, advertising and public relations professionals.

Protiviti — a wholly owned subsidiary of Robert Half — is a global consulting firm which offers clients with consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit. As of Dec 31, 2019, Protiviti had 62 offices in 23 states and 11 foreign countries.

The company has staffing and consulting operations in more than 400 locations across the globe.

Based on the nature of services, the company has three reportable operating segments:

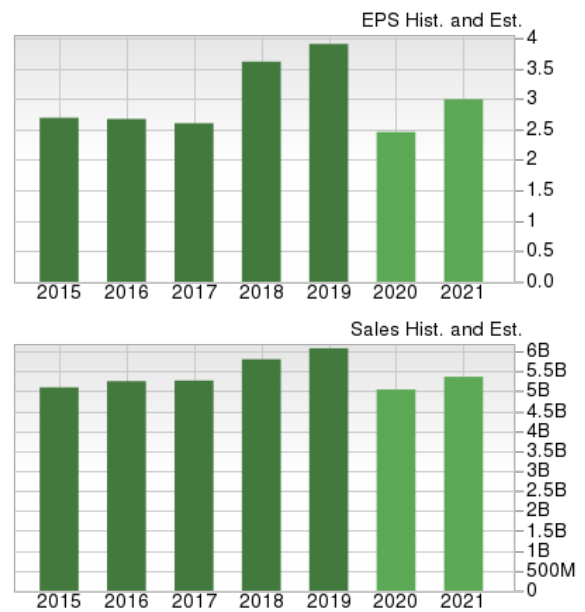
Temporary and consultant staffing (73% of 2019 revenues): The temporary and consultant segment provides specialized staffing in accounting and finance, administrative and office, information technology, legal, advertising, marketing and web design fields.

Permanent placement staffing (9% of 2019 revenues): The permanent placement segment provides full-time personnel in accounting, finance, administrative and office, and information technology fields.

Risk consulting and internal audit services (18% of 2019 revenues): The risk consulting segment provides business and technology risk consulting and internal audit services.

Revenues from temporary and consultant staffing and permanent placement staffing come under the global staffing division, while the risk consulting and internal audit services are provided under the Protiviti division.

The company has approximately 16,000 full-time employees, which includes roughly 4,500 employees engaged directly in the Protiviti operations.



Reasons To Buy:

- ▲ **Protiviti**, the company's wholly owned subsidiary through which it offers risk consulting, internal audit and information technology consulting services, is in great shape. Protiviti is increasingly focusing on technology consulting, with additional emphasis on cloud computing, cybersecurity and digital transformation. It is strongly positioned in the market and currently a double-digit margin and revenue performer.
- ▲ Robert Half has been utilizing a major share of its capital expenditures on investments in **software initiatives and technology infrastructure**. Major software initiatives include upgrades to enterprise resource planning applications and the implementation of a global, cloud-based customer relationship management application. Further, the company continues to invest in digital technology initiatives designed to enhance the service offerings to both clients and candidates. Technology investments, a broad and deep client as well as candidate database, and network scope and global scale is likely to drive long-term growth for the company.
- ▲ Robert Half has a strong balance sheet. The company's cash and cash equivalent balance of \$501 million at the end of the second-quarter 2020 was much higher than the total debt level of \$280 million underscoring that the company **has enough cash to meet this debt burden**.
- ▲ Commitment to **shareholder returns** makes Robert Half a reliable way for investors to compound wealth over long term. The company paid \$146 million, \$136 million and \$121 million in dividends respectively in 2019, 2018 and 2017. It repurchased shares worth \$278 million, \$354 million and \$232.00 million respectively in 2019, 2018 and 2017. Such shareholder-friendly initiatives not only instill investors' confidence but also positively impact the company's earnings.

Technology investments, a broad and deep client as well as candidate database, and network scope and global scale are positives for Robert Half.

Reasons To Sell:

- ▼ Robert Half is witnessing **increase in expenses** due to rise in staff compensation costs and heavy investments in technology initiatives. In 2019, the company's selling, general and administrative expenses increased 5%. These expenses rose 10.6% year over year in 2018 and 2.5% in 2017. Hence, the company's bottom line is likely to remain under pressure going forward. This may weigh on its share price, which has declined 10.7% since the beginning of the year. Also, it is embroiled with a number of legal matters and proceedings. Apart from being a huge drain on resources, this is expected to have earned the company a bad name..
- ▼ Robert Half operates in a highly competitive market and faces **tough competition** in terms of price and reliability of service on a national, regional and local basis. In several areas, local companies are its strongest competitors.
- ▼ A significant portion of the company's revenues is derived from international markets, including Europe. Over the past several years, Robert Half's operations in Europe have been affected by **economic uncertainty**, especially Brexit. These factors may continue to hurt the company's operations in Europe.

Robert Half could see escalation in costs as a result of huge investments.

Last Earnings Report

Robert Half Surpasses Q2 Earnings Estimates, Revenues Miss

Quarter Ending 06/2020

Report Date	Jul 23, 2020
Sales Surprise	-1.56%
EPS Surprise	17.14%
Quarterly EPS	0.41
Annual EPS (TTM)	3.19

Robert Half International reported mixed second-quarter 2020 results, with earnings beating the Zacks Consensus Estimate but revenues missing the same.

Quarterly earnings of 41 cents per share beat the consensus mark by 17% but were down 58% year over year. Revenues of \$1.11 billion missed the consensus mark by 1.6% and declined 27% year over year on a reported basis and 26% on an as-adjusted basis.

Staffing Revenues Decline, Protiviti Up

Global Staffing revenues of \$840 million declined 34% year over year on a reported basis and 33% on an as-adjusted basis. This decline was mainly due to the negative impact of COVID-19 on staffing operations. U.S. staffing revenues of \$640 million were down 34% on an adjusted basis. Non-U.S. staffing revenues were down 31% on an as-adjusted basis to \$184 million. Currency movements had an unfavorable impact of 0.6% on staffing revenues.

The quarter had 63.4 billing days, flat with the year-ago quarter's tally. At present, Robert Half operates 326 staffing locations worldwide, with 88 locations situated in 17 countries outside the United States.

Protiviti revenues came in at \$284 million, which increased 4% year over year on a reported basis and 4.5% on an as-adjusted basis. This increase was driven by strength in solutions offerings and pipeline. U.S. Protiviti revenues increased 6% year over year on an as-adjusted basis while non-U.S. Protiviti revenues declined 2%.

Currency movement lowered revenue growth by 0.6% on a year-over-year basis. Currently, Protiviti, along with its independently owned Member Firms, has a network of 86 locations in 27 countries.

Costs Escalate, Margins Shrink

Gross profit in the quarter was \$423 million, down 34% year over year. Gross margin of 38.2% shrunk 380 basis points (bps) year over year. Operating income of \$58 million was down 63.5% year over year. Operating margin declined to 5.3% from the year-ago quarter's 10.5%.

Selling, general and administrative expenses as percentage of total revenues were 32.9%, up 140 bps year over year. The upswing resulted from negative leverage as revenues declined in response to the pandemic.

Key Balance Sheet & Cash Flow Figures

Robert Half ended the first quarter with cash and cash equivalents of \$502 million, compared with the \$250 million witnessed at the end of the previous quarter. Cash flow from operations was \$301 million and capital expenditures were \$8 million in the quarter. In the quarter, Robert Half paid out \$38 million in dividends.

Recent News

On **Jul 30, 2020**, Robert Half announced that its board of directors has declared a quarterly cash dividend of 34 cents per share. The dividend will be paid on Sep 15, 2020, to all shareholders of record as of Aug 25, 2020.

On **Jun 26, 2020** Robert Halfs' subsidiary Protiviti announced that it has launched a complimentary assessment tool aimed at enabling companies address coronavirus-associated business disruptions and related workforce re-entry and business transformation challenges.

On **Apr 30, 2020**, Robert Half announced that its board of directors has declared a quarterly cash dividend of 34 cents per share. The cash dividend will be paid on Jun 15, 2020 , to all shareholders of record as of May 26, 2020.

Valuation

Robert Half shares are down 10.7% in the year-to-date period and 4.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 16.4% while those in the Zacks Business Services sector are up 2.2% in the year-to-date period. Over the past year, the Zacks sub-industry and sector have declined 10.4% but increased 6.9%, respectively.

The S&P 500 index is up 4.6% in the year-to-date period and 18.9% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 10.75X, which compares to 5.57X for the Zacks sub-industry, 12.71X for the Zacks sector and 12.75X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.76X and as low as 5.76X, with a 5-year median of 9.93X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$59.00 price target reflects 21.26X forward 12-month earnings.

The table below shows summary valuation data for RHI

Valuation Multiples - RHI					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	10.75	5.57	12.71	12.75
	5-Year High	14.76	9.76	13.36	12.84
	5-Year Low	5.76	3.74	8.6	8.24
	5-Year Median	9.93	7.45	10.67	10.9
P/E F 12M	Current	20.21	17.55	30.06	22.91
	5-Year High	22.50	17.55	30.06	22.91
	5-Year Low	8.14	8.42	18.68	15.25
	5-Year Median	16.24	14.24	20.96	17.58
P/S F12M	Current	1.23	0.4	4.2	3.7
	5-Year High	1.62	0.55	4.2	3.7
	5-Year Low	0.61	0.24	3.07	2.53
	5-Year Median	1.14	0.44	3.6	3.05

As of 08/12/2020

Industry Analysis Zacks Industry Rank: Top 35% (89 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
BG Staffing Inc (BGSF)	Outperform	1
Kelly Services, Inc. (KELYA)	Outperform	2
Kforce, Inc. (KFRC)	Outperform	2
HAYS PLC (HAYPY)	Neutral	4
KornFerry International (KFY)	Neutral	4
ManpowerGroup Inc. (MAN)	Neutral	3
Insperty, Inc. (NSP)	Neutral	3
TrueBlue, Inc. (TBI)	Neutral	3

Industry Comparison Industry: Staffing Firms				Industry Peers		
	RHI	X Industry	S&P 500	HAYPY	KELYA	MAN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	4	2	3
VGM Score	A	-	-	-	A	A
Market Cap	6.46 B	433.72 M	23.58 B	2.48 B	702.90 M	4.48 B
# of Analysts	7	2	14	1	3	6
Dividend Yield	2.41%	0.00%	1.68%	0.00%	0.00%	2.82%
Value Score	B	-	-	A	A	A
Cash/Price	0.08	0.12	0.07	NA	0.32	0.34
EV/EBITDA	8.88	6.83	13.34	NA	3.27	6.05
PEG Ratio	3.26	2.07	2.99	NA	2.07	19.33
Price/Book (P/B)	5.59	1.76	3.20	2.36	0.61	1.76
Price/Cash Flow (P/CF)	12.50	8.21	12.83	9.37	5.02	8.64
P/E (F1)	23.06	21.30	21.99	54.78	20.74	29.18
Price/Sales (P/S)	1.13	0.39	2.53	NA	0.15	0.24
Earnings Yield	4.36%	4.60%	4.35%	1.83%	4.80%	3.42%
Debt/Equity	0.18	0.44	0.77	NA	0.06	0.52
Cash Flow (\$/share)	4.51	2.17	6.94	1.58	3.57	8.93
Growth Score	A	-	-	A	A	A
Hist. EPS Growth (3-5 yrs)	9.27%	9.13%	10.41%	NA	11.90%	6.11%
Proj. EPS Growth (F1/F0)	-37.00%	-56.58%	-6.32%	-62.50%	-60.03%	-64.50%
Curr. Cash Flow Growth	3.72%	2.65%	5.20%	-6.26%	20.28%	-21.23%
Hist. Cash Flow Growth (3-5 yrs)	8.05%	12.54%	8.55%	NA	21.37%	0.59%
Current Ratio	1.76	1.76	1.33	NA	1.74	1.50
Debt/Capital	15.08%	31.96%	44.59%	NA	5.75%	34.22%
Net Margin	6.42%	0.84%	10.13%	NA	-2.18%	1.18%
Return on Equity	32.24%	10.95%	14.51%	NA	5.82%	11.35%
Sales/Assets	2.45	2.03	0.51	NA	2.03	2.14
Proj. Sales Growth (F1/F0)	-16.98%	-6.50%	-1.43%	3.62%	-16.10%	-18.21%
Momentum Score	D	-	-	-	B	F
Daily Price Chg	-0.23%	-0.06%	-0.44%	0.00%	-3.89%	-1.25%
1 Week Price Chg	5.33%	6.12%	2.30%	0.00%	14.52%	6.96%
4 Week Price Chg	3.15%	5.88%	4.38%	0.00%	15.89%	5.88%
12 Week Price Chg	16.27%	16.27%	13.59%	6.40%	26.00%	7.90%
52 Week Price Chg	5.09%	-19.31%	5.75%	-23.05%	-34.00%	-7.51%
20 Day Average Volume	921,732	162,890	1,984,154	0	141,332	495,575
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	94.74%	0.00%
(F1) EPS Est 4 week change	3.18%	7.21%	2.08%	-28.95%	94.74%	-5.54%
(F1) EPS Est 12 week change	3.18%	6.18%	2.66%	22.73%	143.19%	-5.54%
(Q1) EPS Est Mthly Chg	8.76%	0.00%	0.94%	NA	30.77%	-9.02%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	A
Momentum Score	D
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.