

Robert Half (RHI)

\$48.29 (As of 04/29/20)

Price Target (6-12 Months): **\$43.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 04/07/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: C

Growth: A

Momentum: F

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 over the past year. 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.

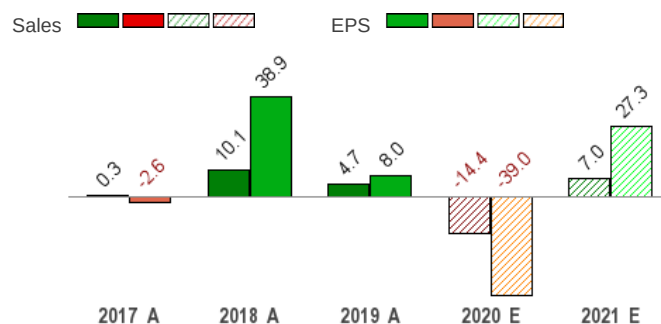
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$63.97 - \$32.38
20 Day Average Volume (sh)	1,991,909
Market Cap	\$5.5 B
YTD Price Change	-23.5%
Beta	1.49
Dividend / Div Yld	\$1.36 / 2.8%
Industry	Staffing Firms
Zacks Industry Rank	Bottom 16% (212 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-2.5%
Last Sales Surprise	0.8%
EPS F1 Est- 4 week change	-33.8%
Expected Report Date	07/28/2020
Earnings ESP	0.0%
P/E TTM	12.8
P/E F1	20.3
PEG F1	2.9
P/S TTM	0.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,276 E	1,319 E	1,385 E	1,428 E	5,563 E
2020	1,507 A	1,126 E	1,199 E	1,273 E	5,200 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	\$0.55 E	\$0.56 E	\$0.67 E	\$0.76 E	\$3.03 E
2020	\$0.79 A	\$0.35 E	\$0.55 E	\$0.69 E	\$2.38 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 04/29/2020. The reports text is as of 04/30/2020.

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:

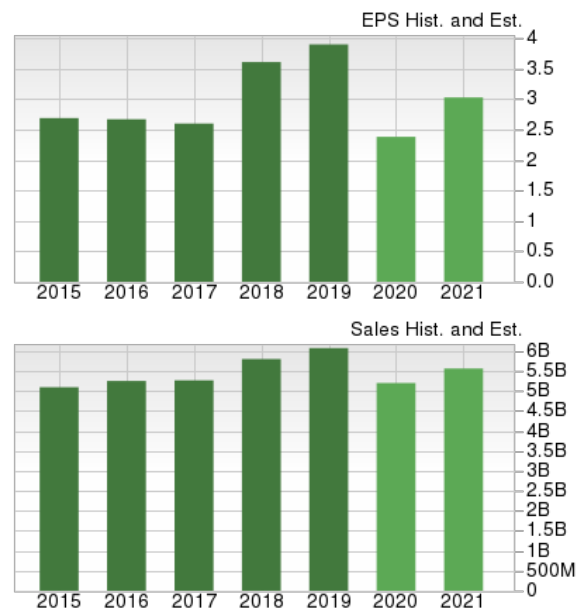
Temporary and consultant staffing (73% of 2019 revenues): The temporary and consultant segment provides specialized staffing in accounting and finance, administrative and office, information technology, legal, advertising, marketing and web design fields.

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 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 20.7% over the past 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.
 - ▼ 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 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.
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Robert Half could see escalation in costs as a result of huge investments.

Risks

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.

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.

Last Earnings Report

Robert Half Q1 Earnings Miss Estimates

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

Quarterly earnings of 79 cents per share missed the consensus mark by 2.5% and were down 15% year over year. Revenues of \$1.51 billion marginally beat the consensus mark and increased 3% year over year on a reported basis and 2% on an as-adjusted basis.

Quarter Ending 03/2020

Report Date	Apr 23, 2020
Sales Surprise	0.78%
EPS Surprise	-2.47%
Quarterly EPS	0.79
Annual EPS (TTM)	3.76

Staffing Revenues Decline, Protiviti Up Significantly

Global Staffing revenues of \$1.21 billion declined 0.3% year over year on a reported basis and 1% on an as-adjusted basis. This decline was mainly due to the negative impact of COVID-19 on staffing operations. The U.S. staffing revenues of \$944 million were down 0.2% on an adjusted basis. Non-U.S. staffing revenues were down 4% on an as-adjusted basis to \$269 million. Currency movements had an unfavorable impact of 0.7% on staffing revenues.

The quarter had 63.1 billing days compared with 62.2 billing days in the year-ago quarter. At present, Robert Half operates 327 staffing locations worldwide, with 88 locations situated in 17 countries outside the United States.

Protiviti revenues came in at \$294 million, which increased 16.5% year over year on a reported basis and 15% on an as-adjusted basis. This increase was driven by strength across internal audit, technology consulting and regulatory compliance consulting, and services provided jointly with staffing. The U.S. and non-U.S. Protiviti revenues increased a respective 20% and 2%, year over year, on an as-adjusted basis.

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 \$610.7 million, up 0.5% year over year. Gross margin of 40.5% shrunk 90 basis points (bps) year over year. Operating income of \$131.1 million was down 10.3% year over year. Operating margin declined to 8.7% from the year-ago quarter's 10%.

Selling, general and administrative expenses as percentage of total revenues were 31.8%, up 40 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 \$249.9 million compared with the \$270.5 million witnessed at the end of the previous quarter. Cash flow from operations was \$125 million and capital expenditures were \$14 million in the quarter.

In the March-end quarter, Robert Half bought back around 1 million shares for \$51 million. It paid out \$40 million in dividends.

Recent News

On **Apr 6, 2020**, Protiviti announced that it is offering free specially curated content from its KnowledgeLeader subscription website.

On **Mar 5, 2020**, Protiviti announced opening of three offices each in Zurich, Switzerland and, Berlin and Dusseldorf, Germany. Country market leader for Switzerland, Dr. Milena Danielsen leads the Zurich office. Offices in Berlin and Dusseldorf are led by country market leaders for Germany, Boris Walther and Alix Weikhard.

On **Feb 18, 2020**, Protiviti announced that it has been named to the 2020 Fortune 100 Best Companies to Work For list for the sixth consecutive time.

Valuation

Robert Half shares are down 23.4% in the year-to-date period and 20.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Business Services sector are down 30.8% and 13% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 35.4% and 7.8%, respectively.

The S&P 500 index is down 11.3% in the year-to-date period and 2.6% in the past year.

The stock is currently trading at trailing 12-month EV/EBITDA of 7.95X, which compares to 5.28X for the Zacks sub-industry, 11.18X for the Zacks sector and 10.42X 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 10.06X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$43.00 price target reflects 7.08X 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	7.95	5.28	11.18	10.45
	5-Year High	14.76	9.76	13.38	12.87
	5-Year Low	5.76	3.81	8.53	8.27
	5-Year Median	10.06	7.53	10.47	10.78
P/E F 12M	Current	17.91	14.04	25.17	20.16
	5-Year High	21.69	17.07	25.17	20.16
	5-Year Low	8.14	8.43	18.68	15.19
	5-Year Median	16.24	14.09	20.56	17.44
P/S F12M	Current	1.01	0.32	3.63	3.21
	5-Year High	1.62	0.55	3.94	3.44
	5-Year Low	0.61	0.24	3.05	2.54
	5-Year Median	1.15	0.44	3.57	3.01

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Bottom 16% (212 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
HAYS PLC (HAYPY)	Neutral	3
Kelly Services, Inc. (KELYA)	Neutral	3
Insperity, Inc. (NSP)	Neutral	4
TrueBlue, Inc. (TBI)	Neutral	4
BG Staffing Inc (BGSF)	Underperform	4
Kforce, Inc. (KFRC)	Underperform	5
Korn/Ferry International (KFY)	Underperform	5
ManpowerGroup Inc. (MAN)	Underperform	5

Industry Comparison Industry: Staffing Firms				Industry Peers		
	RHI	X Industry	S&P 500	HAYPY	KELYA	MAN
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	4	-	-	3	3	5
VGM Score	B	-	-	A	A	C
Market Cap	5.54 B	534.10 M	20.82 B	2.43 B	616.88 M	4.49 B
# of Analysts	7	2	14	1	1	5
Dividend Yield	2.82%	1.35%	2.07%	0.00%	1.90%	2.85%
Value Score	C	-	-	A	A	C
Cash/Price	0.05	0.06	0.06	NA	0.05	0.27
EV/EBITDA	7.88	6.75	12.12	NA	3.73	6.52
PEG Ratio	2.81	5.24	2.51	NA	NA	18.97
Price/Book (P/B)	4.90	1.52	2.74	2.32	0.49	1.70
Price/Cash Flow (P/CF)	10.71	7.16	11.23	9.18	4.42	8.57
P/E (F1)	19.85	13.89	19.26	55.73	7.69	27.70
Price/Sales (P/S)	0.91	0.35	2.16	NA	0.12	0.22
Earnings Yield	4.93%	7.19%	5.03%	1.79%	13.00%	3.60%
Debt/Equity	0.18	0.42	0.72	NA	0.03	0.50
Cash Flow (\$/share)	4.51	2.17	7.01	1.58	3.57	8.93
Growth Score	A	-	-	A	A	A
Hist. EPS Growth (3-5 yrs)	10.16%	10.00%	10.88%	NA	21.91%	9.83%
Proj. EPS Growth (F1/F0)	-38.94%	-17.08%	-6.94%	-81.69%	-5.09%	-62.90%
Curr. Cash Flow Growth	3.72%	3.72%	5.92%	-6.26%	20.28%	-21.23%
Hist. Cash Flow Growth (3-5 yrs)	8.05%	14.32%	8.55%	NA	21.37%	0.59%
Current Ratio	1.73	1.75	1.23	NA	1.59	1.49
Debt/Capital	15.02%	29.66%	43.90%	NA	3.31%	33.21%
Net Margin	7.11%	2.45%	11.15%	NA	2.10%	2.02%
Return on Equity	38.74%	13.37%	16.47%	NA	6.90%	15.12%
Sales/Assets	2.67	2.14	0.54	NA	2.15	2.29
Proj. Sales Growth (F1/F0)	-14.39%	0.00%	-1.52%	-22.67%	0.00%	-19.11%
Momentum Score	F	-	-	F	C	F
Daily Price Chg	4.30%	4.66%	2.91%	0.00%	3.68%	6.14%
1 Week Price Chg	1.90%	0.00%	-1.74%	0.00%	0.15%	7.86%
4 Week Price Chg	26.51%	25.02%	21.33%	0.00%	31.09%	39.47%
12 Week Price Chg	-21.00%	-21.48%	-16.28%	-34.73%	-13.07%	-21.48%
52 Week Price Chg	-20.69%	-30.65%	-7.57%	-28.27%	-30.65%	-19.59%
20 Day Average Volume	1,991,909	155,910	2,658,107	2	214,896	618,170
(F1) EPS Est 1 week change	-5.07%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-33.77%	-2.40%	-6.32%	-74.26%	0.00%	-45.56%
(F1) EPS Est 12 week change	-42.38%	-34.80%	-12.93%	-77.78%	6.22%	-63.22%
(Q1) EPS Est Mthly Chg	-61.66%	-40.00%	-11.84%	NA	0.00%	-93.15%

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	C
Growth Score	A
Momentum Score	F
VGM Score	B

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.

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