



Robert Half International (RHI)

Updated November 2nd, 2022, by Thomas Richmond

Key Metrics

Current Price:	\$76	5 Year CAGR Estimate:	13.4%	Market Cap:	\$8.2 B
Fair Value Price:	\$120	5 Year Growth Estimate:	2.0%	Ex-Dividend Date¹:	11/23/22
% Fair Value:	63%	5 Year Valuation Multiple Estimate:	9.6%	Dividend Payment Date¹:	12/15/22
Dividend Yield:	2.3%	5 Year Price Target	\$132	Years Of Dividend Growth:	18
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Robert Half International (RHI) provides staffing and risk consulting services for companies around the world. The business' 3 segments are Total Contract Talent Solutions, Permanent Placement Talent Solutions, and Protiviti. These segments accounted for 62%, 10%, and 28% of third quarter sales, respectively. Total Contract Talent Solutions makes up most sales and includes contributions from different sub-segments including Finance and Accounting, which offers accounting help for companies, Administrative and Customer Support, which provides office workers for companies, and Technology, which helps companies find IT professionals. The staffing industry is benefiting from the current "Great Resignation", where employees are quitting their jobs at record rates. More people are looking to find work than before, and more employers are looking for new hires than before.

On October 20th, 2022, Robert Half International reported Q3 2022 results for the period ending September 30th, 2022. The business reported earnings-per-share of \$1.53, which missed analysts' estimates by 11 cents. Third quarter 2022's earnings-per-share of \$1.53 was the same as third quarter 2021's earnings-per-share. Revenue increased 7.1% year-over-year to \$1.83 billion, but revenue missed expectations by \$80 million. Growth was led by the Permanent Placement Talent Solutions segment, which grew 17% year-over-year to \$1.17 billion. Total Contract Talent Solutions revenues grew 8.1% year-over-year to \$1.14 billion, and Protiviti grew 2.0% year-over-year to \$510 million.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$1.50	\$1.83	\$2.26	\$2.69	\$2.67	\$2.60	\$3.57	\$3.90	\$2.70	\$5.36	\$6.00	\$6.62
DPS	\$0.60	\$0.64	\$0.72	\$0.80	\$0.88	\$0.96	1.12	\$1.24	\$1.36	\$1.52	\$1.72	\$2.30
Shares	139	137	135	131	128	124	119	115	113	111	109	106

Over the past 9 years, Robert Half International has seen earnings-per-share grow at an average annualized rate of 15.2%, and over the past 5 years, earnings-per-share have grown at 18.2% annually. In 2022, we expect Robert Half to deliver \$6.00 in earnings-per-share as the industry continues to benefit from the "Great Resignation" and other tailwinds, and we forecast that earnings-per-share will grow at a rate of 2% annually over the next 5 years. We forecast a low forward growth rate compared to historic growth because we believe the business is temporarily benefiting from the current environment, and even though earnings will continue to grow over the intermediate term, this level of earnings may not be sustainable over the next few years.

Over the past 5 years, dividend payments have grown at 12.4% annually. We forecast that dividends will grow at 6% annually over the next 5 years because we estimate that dividends will grow a little faster than the business' earnings. The business can afford to continue growing dividends above the earnings growth rate because the stock already has a low payout ratio. Robert Half has an 18-year track record of increasing its dividend payments.

¹ Estimated Date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	18.9	20.0	21.1	20.6	15.4	18.7	17.8	15.2	19.9	17.2	12.7	20.0
Avg. Yld.	2.1%	1.8%	1.5%	1.4%	2.1%	2.0%	1.8%	2.1%	2.5%	1.7%	2.3%	1.7%

Over the past 9 years, Robert Half International has averaged a P/E ratio of 18.5. Based on the steady history of valuation multiples, we estimate that a P/E ratio of 20 is fair for the business. Today, the stock offers a 2.3% dividend yield, which is low for investors who prioritize dividend income, but investors might consider the company if they're interested in the business' growth and valuation multiple rerating.

Safety, Quality, Competitive Advantage, & Recession Resiliency

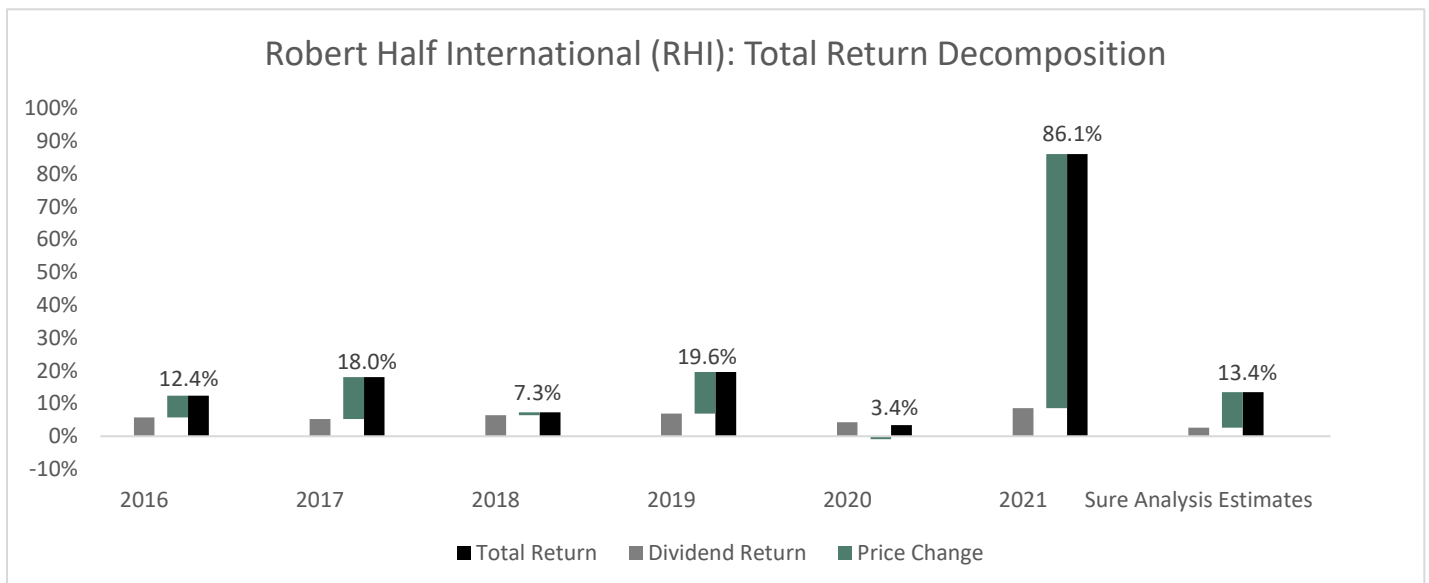
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	40%	35%	32%	30%	33%	37%	31%	32%	50%	28%	29%	35%

Robert Half International has averaged a payout ratio of 34.8% over the past 9 years. We consider this to be a very conservative payout ratio, where dividends are well supported by earnings. Additionally, the business has a very strong balance sheet, with more current assets than total liabilities. Even though the business did see a downturn in 2020 from the COVID-19 pandemic, we think the business offers recession resiliency, because of the company's time-tested business model. Businesses need to hire, and people need to work.

Final Thoughts & Recommendation

Robert Half International offers investors an opportunity to invest in a business that has seen strong historic growth and stands to benefit from the new changes in employment that have been brought by COVID-19 and the work-from-home economy. At today's price, we rate the stock as a Buy because total return prospects come in at 13.4% annually over the next five years driven by an estimated 2% annual earnings-per-share growth, a 2.3% dividend yield, and we estimate a 9.6% annual return from the valuation multiple rerating. Investors might be interested in this stock because well-managed staffing companies can earn high returns on capital, and this business is benefiting from the current employment environment.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	4,111	4,246	4,695	5,095	5,250	5,267	5,800	6,074	5,109	6,461
Gross Profit	1,649	1,723	1,923	2,114	2,161	2,164	2,411	2,525	2,013	2,696
Gross Margin	40.1%	40.6%	41.0%	41.5%	41.2%	41.1%	41.6%	41.6%	39.4%	41.7%
SG&A Exp.	1,306	1,325	1,426	1,534	1,606	1,647	1,811	1,958	1,666	1,951
D&A Exp.	49	49	50	53	64	65	66	66	64	54
Operating Profit	343	397	497	580	553	516	599	565	345	743
Op. Margin	8.3%	9.3%	10.6%	11.4%	10.5%	9.8%	10.3%	9.3%	6.8%	11.5%
Net Profit	210	252	306	358	343	291	434	454	306	599
Net Margin	5.1%	5.9%	6.5%	7.0%	6.5%	5.5%	7.5%	7.5%	6.0%	9.3%
Free Cash Flow	239	255	278	363	359	412	530	460	563	567
Income Tax	134	145	191	223	211	227	157	171	116	205

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	1,381	1,490	1,647	1,671	1,778	1,867	1,903	2,311	2,557	2,952
Cash & Equivalents	288	276	287	225	260	295	277	270	574	619
Acc. Receivable	513	552	658	705	703	732	794	833	714	985
Goodwill & Int.	204	201	199	213	213	216	213	212	229	226
Total Liabilities	539	571	667	667	691	762	840	1,168	1,352	1,571
Accounts Payable	140	140	175	148	136	127	168	124	131	184
Long-Term Debt	2	1	1	1	1	1	1	---	---	---
Total Equity	842	920	980	1,004	1,087	1,105	1,063	1,144	1,205	1,381
LTD/E Ratio	---	---	---	---	---	---	---	---	---	---

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	15.6%	17.6%	19.5%	21.6%	19.9%	15.9%	23.0%	21.6%	12.6%	21.7%
Return on Equity	25.6%	28.6%	32.2%	36.1%	32.9%	26.5%	40.1%	41.2%	26.1%	46.3%
ROIC	25.5%	28.6%	32.2%	36.0%	32.8%	26.5%	40.0%	41.2%	26.1%	46.3%
Shares Out.	139	137	135	131	128	124	119	115	113	111
Revenue/Share	29.49	30.86	34.64	38.33	40.77	42.17	47.70	52.18	45.09	57.84
FCF/Share	1.72	1.86	2.05	2.73	2.79	3.30	4.36	3.95	4.97	5.07

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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