



Robert Half International (RHI)

Updated February 3rd, 2023, by Ian Bezek

Key Metrics

Current Price:	\$89	5 Year CAGR Estimate:	10.5%	Market Cap:	\$9.4 B
Fair Value Price:	\$112	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	02/24/23
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.7%	Dividend Payment Date¹:	03/15/23
Dividend Yield:	1.9%	5 Year Price Target	\$136	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 Temporary and Consultant Staffing, Permanent Placement Staffing, and Risk Consulting and Internal Audit Services, with consultant staffing constituting the majority of revenues. Temporary and Consultant Staffing includes contributions from different sub-segments including Accountemps, which offers accounting help for companies, Office Team, which provides office workers for companies, Robert Half Technology, which helps companies find IT professionals, and Robert Half Management Resources, which helps businesses find senior-level professionals. The staffing industry has seen a significant uptick in activity since 2020. This is thanks to remote work, which has created more opportunities for employees to switch jobs. In addition, current inflationary conditions and the low unemployment rate have given employees more bargaining power for higher wages. This leads to increased turnover within employers.

On January 26th, 2023, Robert Half International reported Q4 2022 results for the period ending December 31st, 2022. The business reported earnings-per-share of \$1.37, which fell from \$1.51 for the same period of 2021. Revenues of \$1.73 billion fell slightly short of expectations and declined 2.4% versus the same period of 2021. After a record period of earnings in recent quarters, it's not surprising that Robert Half saw its revenue and earnings growth pause as the employment boom starts to slow down. Regardless, the company is earning far more than it did prior to the onset of the pandemic. It seems that structural changes in the economy have created more mobility for workers, which should lead to a sustained increase in demand for staffing services.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.83	\$2.26	\$2.69	\$2.67	\$2.60	\$3.57	\$3.90	\$2.70	\$5.36	\$6.03	\$5.60	\$6.81
DPS	\$0.64	\$0.72	\$0.80	\$0.88	\$0.96	\$1.12	\$1.24	\$1.36	\$1.52	\$1.72	\$1.72	\$2.30
Shares	139	137	135	131	128	124	119	115	113	108	106	101

Over the past 9 years, Robert Half International has seen earnings-per-share grow at an average annualized rate of 14.2%. That earnings growth particularly accelerated in 2021 as workers started to bargain for higher wages and moved between employers more frequently. However, as the firm's most recent earnings report showed, it appears this near-term catalyst has largely played out. We expect a dip in earnings in 2023 before the company resumes its long-term growth at a 4% annualized pace.

Over the past 5 years, dividend payments have grown at 9.0% annually. We forecast somewhat slower annualized dividend growth over the next five years as the company's earnings growth also slows down. That said, Robert Half's payout ratio has dipped over the past couple of years, giving it significant room to continue increasing its dividend payments regardless of near-term earnings results. Robert Half has an 18-year track record of increasing its dividend payments. In addition, Robert Half has returned a significant amount of capital to its shareholders via its share repurchase program.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	20.0	21.1	20.6	15.4	18.7	17.8	15.2	19.9	17.2	16.0	15.9	20.0
Avg. Yld.	1.8%	1.5%	1.4%	2.1%	2.0%	1.8%	2.1%	2.5%	1.7%	1.9%	1.9%	1.7%

Over the past 9 years, Robert Half International has averaged a P/E ratio of 18.2. With the structural increase in demand for staffing services, we believe a slightly higher P/E may be warranted and forecast shares settling at a 20x multiple. Today, the stock offers a 1.9% dividend yield, which is right in-line with the company's historic long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

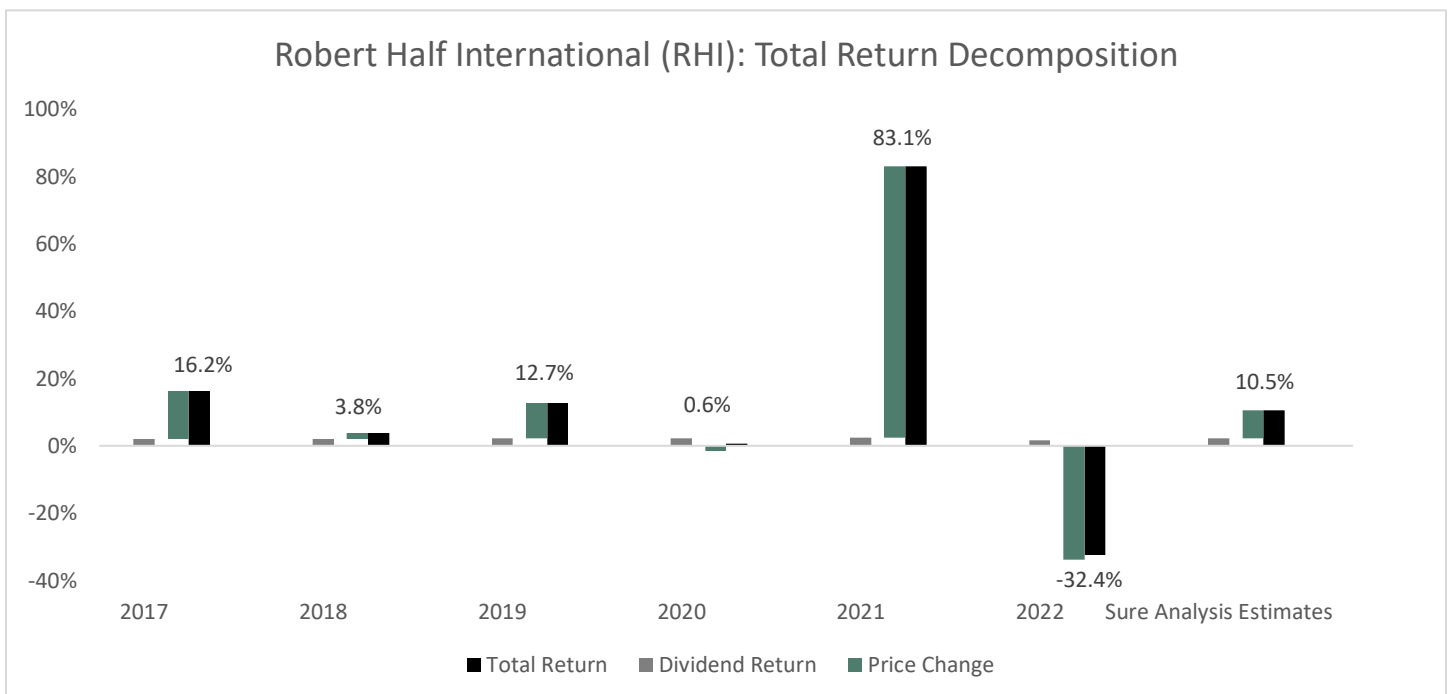
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	35%	32%	30%	33%	37%	31%	32%	50%	28%	29%	31%	34%

Robert Half International has averaged a payout ratio of 34% over the past 9 years. This is a conservative ratio, and we expect the company to keep its payout around this level in coming years. Additionally, the business has a very strong balance sheet, with more current assets than total liabilities. While the company saw a brief drop in earnings from the onset of the COVID-19 pandemic, business came roaring back as the disruptions from that event caused a major reshuffling of the job market, thus building demand for Robert Half's services.

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, Robert Half International earns a buy rating with a 10.5% forecasted annualized return over the next five years. This could come about from mid-single-digits earnings growth, plus an increase in the company's valuation ratio along with the starting 1.9% dividend yield.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	4,246	4,695	5,095	5,250	5,267	5,800	6,074	5,109	6,461	7,238
Gross Profit	1,723	1,923	2,114	2,161	2,164	2,411	2,525	2,013	2,696	3,094
Gross Margin	40.6%	41.0%	41.5%	41.2%	41.1%	41.6%	41.6%	39.4%	41.7%	42.7%
SG&A Exp.	1,325	1,426	1,534	1,606	1,647	1,811	1,958	1,666	1,951	2,117
D&A Exp.	49	50	53	64	65	66	66	64	54	47
Operating Profit	397	497	580	553	516	599	565	345	743	975
Op. Margin	9.3%	10.6%	11.4%	10.5%	9.8%	10.3%	9.3%	6.8%	11.5%	13.5%
Net Profit	252	306	358	343	291	434	454	306	599	658
Net Margin	5.9%	6.5%	7.0%	6.5%	5.5%	7.5%	7.5%	6.0%	9.3%	9.1%
Free Cash Flow	255	278	363	359	412	530	460	563	567	47
Income Tax	145	191	223	211	227	157	171	116	205	239

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	1,490	1,647	1,671	1,778	1,867	1,903	2,311	2,557	2,952	2,964
Cash & Equivalents	276	287	225	260	295	277	270	574	619	659
Acc. Receivable	552	658	705	703	732	794	833	714	985	1,018
Goodwill & Int.	201	199	213	213	216	213	212	229	226	---
Total Liabilities	571	667	667	691	762	840	1,168	1,352	1,571	1,396
Accounts Payable	140	175	148	136	127	168	124	131	184	
Long-Term Debt	1	1	1	1	1	1	---	---	---	---
Total Equity	920	980	1,004	1,087	1,105	1,063	1,144	1,205	1,381	1,569
LTD/E Ratio	---	---	---	---	---	---	---	---	---	---

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	17.6%	19.5%	21.6%	19.9%	15.9%	23.0%	21.6%	12.6%	21.7%	22.2%
Return on Equity	28.6%	32.2%	36.1%	32.9%	26.5%	40.1%	41.2%	26.1%	46.3%	44.6%
ROIC	28.6%	32.2%	36.0%	32.8%	26.5%	40.0%	41.2%	26.1%	46.3%	44.6%
Shares Out.	139	137	135	131	128	124	119	115	113	108
Revenue/Share	30.86	34.64	38.33	40.77	42.17	47.70	52.18	45.09	57.84	66.30
FCF/Share	1.86	2.05	2.73	2.79	3.30	4.36	3.95	4.97	5.07	0.43

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

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