



Robert Half International (RHI)

Updated November 14th, 2023, by Ian Bezek

Key Metrics

Current Price:	\$80	5 Year CAGR Estimate:	6.3%	Market Cap:	\$8.5 B
Fair Value Price:	\$80	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	11/22/23
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	12/15/23
Dividend Yield:	2.4%	5 Year Price Target	\$97	Years Of Dividend Growth:	19
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Robert Half International (RHI) provides staffing and risk consulting services for companies around the world. The business' three 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 saw a significant uptick in activity starting in 2020. This is thanks to remote work, which has created more opportunities for employees to switch jobs. In addition, inflationary conditions and the low unemployment rate have given employees more bargaining power for higher wages. This leads to increased turnover within employers.

On October 24th, 2023, Robert Half International reported Q3 2023 results for the period ending Sept. 30th, 2023. The business reported earnings-per-share of \$0.90, which fell from \$1.53 for the same period of 2022. Revenues of \$1.56 billion declined 15% year-over-year, but topped analyst expectations. While the company is still posting poor numbers compared to the record 2022 results, operations have stabilized with this quarter showing improvement compared to Q2. With the overall economy still in decent shape, it has been a surprise that staffing agencies have seen such a swift downturn in results this year and it raises concerns about what might happen in a full-on recession. On the other hand, the weakness could simply be a factor of employers adjusting to the new hybrid work environment. We have maintained our prior full-year 2023 earnings outlook as this quarter didn't meaningfully change our outlook.

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	\$4.00	\$4.87
DPS	\$0.64	\$0.72	\$0.80	\$0.88	\$0.96	\$1.12	\$1.24	\$1.36	\$1.52	\$1.72	\$1.92	\$2.57
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 last few earnings reports have showed, the labor market has decelerated. 2023 earnings will be around 2019 levels as the pandemic-era labor boom has cooled. We expect longer-term earnings per share growth around 4% annually.

Over the past 5 years, dividend payments have grown at 11.6% annually. We forecast slower annualized dividend growth over the next five years as the company's earnings will take significant time to surpass peak 2022 levels. Robert Half historically has had a low dividend payout ratio, giving it room for significant dividend increases. However, the payout ratio is now creeping up.

On February 9th, 2023, Robert Half announced an 11.6% dividend increase, from 43 cents to 48 cents per quarter. This was a solid increase, but investors should not bank on future hikes at nearly the same rate given the slowing earnings trajectory.

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	20.0	20.0
Avg. Yld.	1.8%	1.5%	1.4%	2.1%	2.0%	1.8%	2.1%	2.5%	1.7%	1.9%	2.4%	2.6%

Over the past decade, 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 2.4% dividend yield, which is in-line with the company's historic long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

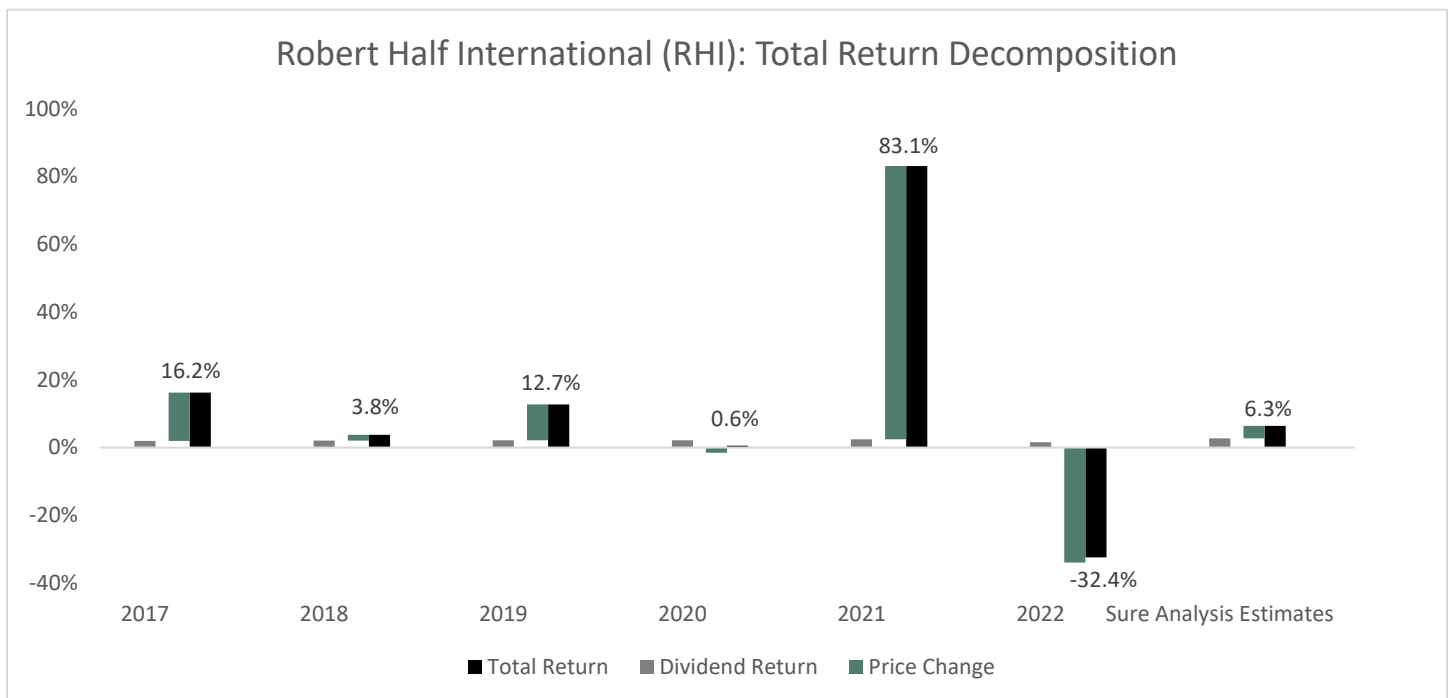
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	35%	32%	30%	33%	37%	31%	32%	50%	28%	29%	48%	53%

Robert Half International has averaged a payout ratio of 34% over the past 9 years though the ratio is now trending toward 50%. Robert Half can easily support the dividend, particularly since it 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 in 2021 and 2022. That said, a longer-running recession could cause a meaningful and sustained downturn in earnings.

Final Thoughts & Recommendation

Robert Half offers 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. Shares have rallied recently and are now right at our fair value estimate. We see 6.3% annualized returns from here, driven by 4% annualized growth plus the dividend. Shares earn a hold rating.

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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