



Robert Half International (RHI)

Updated March 9th, 2024, by Ian Bezek

Key Metrics

Current Price:	\$81	5 Year CAGR Estimate:	4.7%	Market Cap:	\$8.4 B
Fair Value Price:	\$67	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	02/22/24
% Fair Value:	121%	5 Year Valuation Multiple Estimate:	-3.8%	Dividend Payment Date:	03/15/24
Dividend Yield:	2.6%	5 Year Price Target	\$89	Years Of Dividend Growth:	20
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. However, Robert Half lost momentum in 2023 as the job market started to stabilize and hiring momentum slowed.

On January 30th, 2024, Robert Half International reported Q4 2023 results for the period ending Dec. 31st, 2023. The business reported earnings-per-share of \$0.83, which fell from \$1.37 for the same period of 2022. Revenues of \$1.47 billion declined 15% year-over-year. This was another soft quarter, but it was roughly in-line with analyst expectations.

With the overall economy still in decent shape, it has been a surprise that staffing agencies have seen such a swift downturn in 2023 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. Robert Half noted that 2024 has started off slow and offered a sober outlook heading into the year.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.26	\$2.69	\$2.67	\$2.60	\$3.57	\$3.90	\$2.70	\$5.36	\$6.03	\$3.88	\$3.34	\$4.47
DPS	\$0.72	\$0.80	\$0.88	\$0.96	\$1.12	\$1.24	\$1.36	\$1.52	\$1.72	\$1.92	\$2.12	\$2.71
Shares	137	135	131	128	124	119	115	113	108	105	104	100

Over the past decade, Robert Half International has seen earnings-per-share grow at an average annualized rate of 6.2%. 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. 2024's earnings are likely to come in below the firm's earnings per share back in 2018. While the current downturn is challenging, we do expect Robert Half to return to 6% annualized earnings growth over the longer-term.

Over the past 5 years, dividend payments have grown at 11.3% annually. Robert Half historically has had a low dividend payout ratio, giving it room for significant dividend increases. On February 14th, 2024, Robert Half announced a 10.4% dividend increase, from 48 cents to 53 cents per quarter. This was a solid increase, but we expect future increases to slow down given the firm's rising payout ratio and current earnings slump.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	21.1	20.6	15.4	18.7	17.8	15.2	19.9	17.2	16.0	19.8	24.3	20.0
Avg. Yld.	1.5%	1.4%	2.1%	2.0%	1.8%	2.1%	2.5%	1.7%	1.9%	2.5%	2.6%	3.0%

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. However, today's 24.3 P/E ratio is well above the historical average. Today, RHI stock offers a 2.6% dividend yield, which is above the company's historic long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

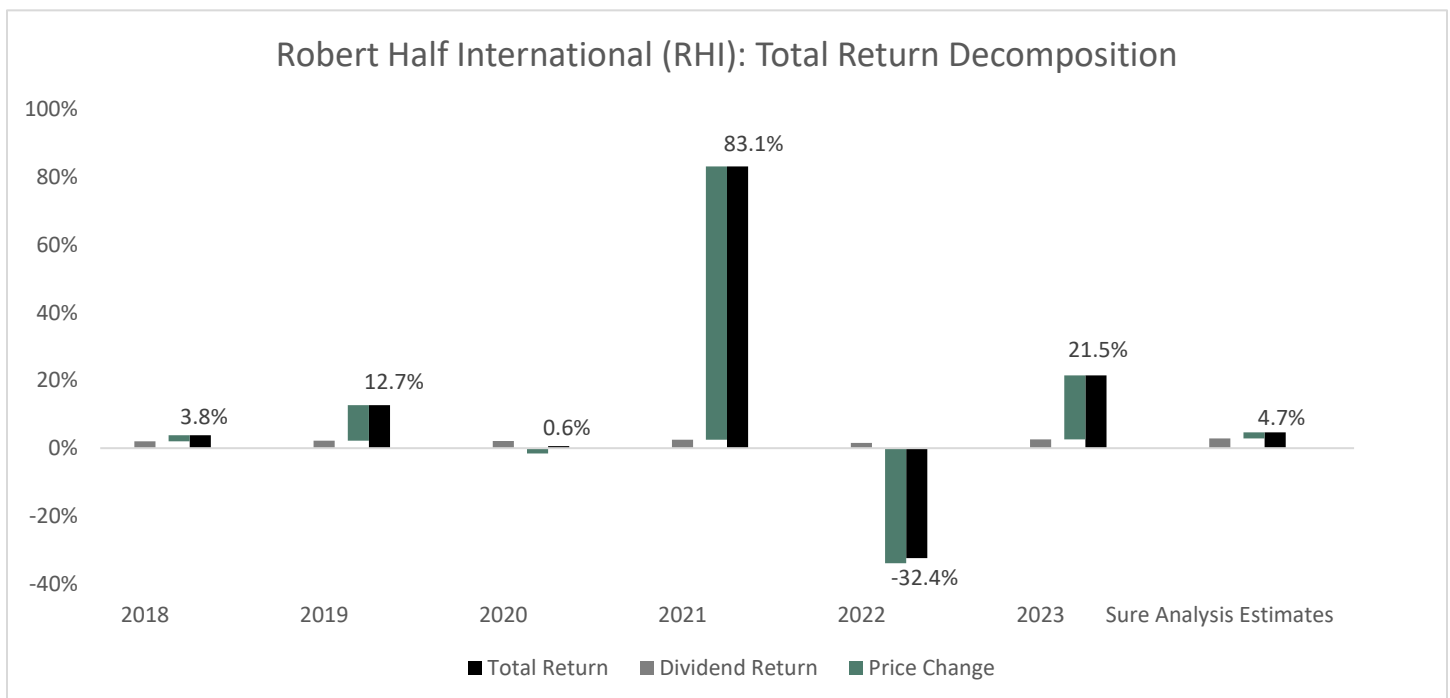
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	32%	30%	33%	37%	31%	32%	50%	28%	29%	49%	63%	61%

Robert Half International has averaged a payout ratio of 35% over the past 9 years though the ratio is now set to top 60% this year. Robert Half can 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 solid long-term growth and which may benefit from the adoption of remote/hybrid work models. However, the company is currently in a sizable earnings decline, and shares haven't fallen much despite the worsening outlook. We see 4.7% annualized returns from here, driven by 6% annualized growth and the dividend while offset by a moderate compression in the P/E ratio. 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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