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Robert Half International, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Certainly we will take our first question from the side of Andrew Steinerman of J.P. Morgan. Go ahead please.

Andrew Steinerman - J.P. Morgan

Hi, gentleman. The performance at Protiviti is coached [ph] by the slow seasonality of any second quarter? Could you give us some feeling within your kind of your third quarter guidance how do you expect Protiviti to do both on kind of a revenue, but more importantly on a margin basis?

M. Keith Waddell - Vice Chairman, President and Chief Financial Officer

So, Andrew you correctly surmised that second quarter was still seasonally slow. We would expect some seasonal pickup in revenues in the third quarter because of the cost reduction efforts we've accomplished during this quarter. That revenue increase will largely fall to the bottom line. So we're... we feel good about where we are heading into the seasonally stronger second half of the year.

Andrew Steinerman - J.P. Morgan

Right. Typically the third quarter is your strongest seasonal quarter for Protiviti, right, sequentially?

M. Keith Waddell - Vice Chairman, President and Chief Financial Officer

Well, actually fourth quarter... third and fourth are strong. Typically, in the third quarter some of your revenue increase offsets staff increases, staff raises that happen July 1.

Andrew Steinerman - J.P. Morgan

All right.

M. Keith Waddell - Vice Chairman, President and Chief Financial Officer

Because of the cost-cutting efforts during the quarter just ended, we feel like for the most part we've decreased those increases. We still aim increases to be competitive, but those will be offset by the savings such that we should get a much better margin picture in the third quarter assuming we get the seasonal revenue pickup we traditionally see.

Andrew Steinerman - J.P. Morgan

Sounds good. Thanks for clarification.

Operator

Thank you. We'll take our next question from the side of Mark Marcon of Robert W. Baird. Go ahead please.

Mark Marcon - Robert W. Baird & Co., Inc.

Good afternoon and a terrific job in a tough environment. I was wondering, can you talk a little bit about perm and what percentage of that is international and what sort of differences your seeing in the perm side between the international versus the U.S markets?

M. Keith Waddell - Vice Chairman, President and Chief Financial Officer

Well, clearly there is a tale of two cities economically between what we see in the U.S and what we see outside the U.S. In the U.S we saw a gradual slowing perm and temp that occurred throughout the quarter. But the good news in the U.S is we were fairly aggressive in our cost-cutting efforts and notwithstanding the lower revenues, we maintained our margins. Outside the U.S, which is again as we spoke on our prior calls, it's more perm oriented than is the case in the U.S. We performed quite well during the quarter. If you look at the profile of our non-U.S. business, in orders of magnitude it's about 40% from Europe, 25% from the U.K., 25% from Canada, and 10% from Asia Pacific. Continental Europe did particularly well during the quarter as did Asia Pacific which is smaller. The UK showed some slowing nothing dramatic but there was gradual slowing during the quarter in the UK. And Canada track more like the U.S. than it did Europe.

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