

HALF ROBERT INTERNATIONAL INC /DE/
Form 10-K
February 20, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

Commission file number 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE	94-1648752
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2884 Sand Hill Road, Menlo Park, California	94025
(Address of principal executive offices)	(Zip code)
Registrant's telephone number, including area code: (650) 234-6000	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value \$.001 per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer

Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company. Yes No

As of June 30, 2017, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$5,855,668,588 based on the closing sale price on that date. This amount excludes the market value of 4,041,703 shares of Common Stock directly or indirectly held by registrant's directors and officers and their affiliates. As of January 31, 2018, there were 124,261,548 outstanding shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be mailed to stockholders in connection with the registrant's annual meeting of stockholders, scheduled to be held in May 2018, are incorporated by reference in Part III of this report. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of this report.

PART I

Item 1. Business

Robert Half International Inc. (the “Company”) provides specialized staffing and risk consulting services through such divisions as Accountemps®, Robert Half® Finance & Accounting, OfficeTeam®, Robert Half® Technology, Robert Half® Management Resources, Robert Half® Legal, The Creative Group®, and Protiviti®. The Company, through its Accountemps, Robert Half Finance & Accounting, and Robert Half Management Resources divisions, is the world’s largest specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. OfficeTeam specializes in highly skilled temporary administrative support personnel. Robert Half Technology provides information technology professionals. Robert Half Legal provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. The Creative Group provides project staffing in the digital, marketing, and creative fields. Protiviti, which began operations in 2002, is a global business consulting and internal audit firm. Protiviti, which primarily employs professionals specializing in risk, advisory and transactional services, is a wholly owned subsidiary of the Company.

The Company’s business was originally founded in 1948. Prior to 1986, the Company was primarily a franchisor, under the names Accountemps and Robert Half (now called Robert Half Finance & Accounting), of offices providing temporary and full-time professionals in the fields of accounting and finance. Beginning in 1986, the Company and its current management embarked on a strategy of acquiring franchised locations. All of the franchises have been acquired. The Company believes that direct ownership of offices allows it to better monitor and protect the image of its tradenames, promotes a more consistent and higher level of quality and service throughout its network of offices and improves profitability by centralizing many of its administrative functions. Since 1986, the Company has significantly expanded operations at many of the acquired locations, opened many new locations and acquired other local or regional providers of specialized temporary service personnel. The Company has also expanded the scope of its services by launching the new product lines OfficeTeam, Robert Half Technology, Robert Half Management Resources, Robert Half Legal and The Creative Group.

In 2002, the Company hired more than 700 professionals who had been affiliated with the internal audit and business and technology risk consulting practice of Arthur Andersen LLP, including more than 50 individuals who had been partners of that firm. These professionals formed the base of the Company’s Protiviti Inc. subsidiary. Protiviti® has enabled the Company to enter the market for business consulting and internal audit services, which market the Company believes offers synergies with its traditional lines of business.

Accountemps

The Accountemps temporary services division offers customers a reliable and economical means of dealing with uneven or peak workloads for accounting, finance, and bookkeeping personnel caused by such predictable events as vacations, taking inventories, tax work, month-end activities and special projects, and such unpredictable events as illness and emergencies. Businesses view the use of temporary employees as a means of controlling personnel costs and converting such costs from fixed to variable. The cost and inconvenience to clients of hiring and firing regular employees are eliminated by the use of Accountemps temporaries. The temporary workers are employees of Accountemps and are paid by Accountemps. The customer pays a fixed rate only for hours worked.

Accountemps clients may fill their regular employment needs by using an Accountemps employee on a trial basis and, if so desired, “converting” the temporary position to a regular position. The client typically pays a one-time fee for such conversions.

OfficeTeam

The Company’s OfficeTeam division, which commenced operations in 1991, places temporary and full-time office and administrative personnel, ranging from executive and administrative assistants to receptionists and customer service representatives. OfficeTeam operates in much the same fashion as the Accountemps division.

Robert Half Finance & Accounting

Established in 1948, the Company’s first division and specialized recruitment pioneer Robert Half Finance & Accounting specializes in the placement of full-time accounting, financial, tax and accounting operations personnel. Fees for successful

placements are paid only by the employer and are generally a percentage of the new employee's annual compensation. No fee for placement services is charged to employment candidates.

Robert Half Technology

The Company's Robert Half Technology division, which commenced operations in 1994, specializes in providing information technology contract consultants, placing full-time employees, and offering managed services in areas ranging from multiple platform systems integration to end-user technical and desktop support, including specialists in application development (including mobile, cloud and enterprise applications), networking, systems integration and deployment, database design and administration, and security and business continuity.

Robert Half Legal

Since 1992, the Company has been placing temporary and full-time employees in attorney, paralegal, legal administrative and legal secretarial positions through its Robert Half Legal division. The legal profession's requirements (the need for confidentiality, accuracy and reliability, a strong drive toward cost-effectiveness, and frequent peak caseload periods) are similar to the demands of the clients of the Accountemps division. Robert Half Legal offers a full suite of legal staffing and consulting services to help organizations manage constantly changing workloads and access expertise across in-demand legal practice areas.

Robert Half Management Resources

The Company's Robert Half Management Resources division, which commenced operations in 1997, specializes in providing senior level project professionals in the accounting and finance fields, including chief financial officers, controllers, senior financial analysts, internal auditors, and business systems analysts for such tasks as financial systems conversions, expansion into new markets, business process reengineering, business systems performance improvement, and post-merger financial consolidation.

The Creative Group

The Creative Group division commenced operations in 1999 and specializes in identifying for its clients creative professionals in the areas of interactive media, design, marketing, advertising and public relations. The division places freelance and project consultants in a variety of positions such as creative directors, graphics designers, web content developers, web designers, media buyers, brand managers, and public relations specialists.

Protiviti

Protiviti is a global consulting firm that helps companies solve problems in finance, technology, operations, data, analytics, governance, risk and internal audit. Through its risk management and internal audit heritage, Protiviti has gained unique perspectives on the challenges faced by its clients. Protiviti uses these perspectives not only to solve regulatory, risk and compliance problems, but also to help clients become more effective and productive. Protiviti provides solutions to its clients in areas such as business performance improvement, internal audit and financial advisory, IT consulting, restructuring and litigation, risk and compliance, and transaction services.

Marketing and Recruiting

The Company markets its staffing services to clients and employment candidates via both national and local advertising activities. Advertising consists of client- and employment candidate-facing buys in radio, outdoor, digital display, search engine marketing, social media, print and trade publications, job boards and events. The Company also markets its services, as well as hiring and career management advice content and thought leadership, via its search engine-optimized website, social media and blog feeds, and e-mail marketing program. Direct marketing via telephone solicitation is a significant portion of the Company's total marketing efforts. Additionally, the Company has expanded its use of job boards and job aggregators in all aspects of sales and recruitment. Joint marketing arrangements have been entered into with major software manufacturers and typically provide for the development of proprietary skills tests, cooperative advertising, joint e-mail campaigns, and similar promotional activities. The Company also actively seeks endorsements and affiliations with professional organizations in the accounting and finance, technology, legal, and creative and marketing fields. In addition, the Company conducts public relations activities designed to enhance public recognition of the Company and its services. This includes outreach to journalists, bloggers and social media influencers, and the distribution of print, digital, and video thought leadership. Robert Half staffing and recruiting professionals are encouraged to be active in civic organizations and industry trade groups in their local communities.

Protiviti markets its business consulting and internal audit services to a variety of clients in a range of industries. Industry and competency teams conduct targeted marketing efforts, both locally and nationally, including print advertising and branded speaking events, with support from Protiviti management. National advertising conducted by Protiviti consists primarily of print advertisements in national newspapers, magazines and selected trade journals. Protiviti has programs to share its insights with clients on current corporate governance and risk management issues. It conducts public relations activities, such as distributing press releases, white papers, case studies and newsletters, designed to enhance recognition for the Protiviti brand, establish its expertise in key issues surrounding its business and promote its services. Protiviti plans to expand both the services and value added content on the Protiviti.com website and increase traffic through targeted Internet advertising. Local employees are encouraged to be active in relevant social media communities, civic organizations and industry trade groups.

The Company and its subsidiaries own many trademarks, service marks and tradenames, including the Robert Half® Finance & Accounting, Accountemps®, OfficeTeam®, Robert Half® Technology, Robert Half® Management Resources, Robert Half® Legal, The Creative Group® and Protiviti® marks, which are registered in the United States and in a number of foreign countries.

Organization

Management of the Company's staffing operations is coordinated from its headquarters facilities in Menlo Park and San Ramon, California. The Company's headquarters provides support and centralized services to its offices in the administrative, marketing, public relations, accounting, training and legal areas, particularly as it relates to the standardization of the operating procedures of its offices. As of December 31, 2017, the Company conducted its staffing services operations through 323 offices in 42 states, the District of Columbia and 17 foreign countries. Office managers are responsible for most activities of their offices, including sales, local advertising and marketing and recruitment.

The day-to-day operations of Protiviti are managed by a chief executive officer and a senior management team with operational and administrative support provided by individuals located in San Ramon and Menlo Park, California. As of December 31, 2017, Protiviti had 56 offices in 23 states and 11 foreign countries.

Competition

The Company's staffing services face competition in attracting clients as well as skilled specialized employment candidates. The staffing business is highly competitive, with a number of firms offering services similar to those provided by the Company on a national, regional or local basis. In many areas the local companies are the strongest competitors. The most significant competitive factors in the staffing business are price and the reliability of service, both of which are often a function of the availability and quality of personnel. The Company believes it derives a competitive advantage from its long experience with and commitment to the specialized employment market, its national presence, and its various marketing activities.

Protiviti faces competition in its efforts to attract clients and win proposal presentations. The risk consulting and internal audit businesses are highly competitive. In addition, the changing regulatory environment is increasing opportunities for non-attestation audit and risk consulting services. The principal competitors of Protiviti remain the "big four" accounting firms. Significant competitive factors include reputation, technology, tools, project methodologies, price of services and depth of skills of personnel. Protiviti believes its competitive strengths lie in its unique ability to couple the deep skills and proven methodologies of its "big four" heritage with the customer focus and attention of a smaller organization.

Employees

The Company has approximately 17,200 full-time employees, including approximately 3,600 engaged directly in Protiviti operations. In addition, the Company placed approximately 211,400 temporary employees on assignments with clients during 2017. Employees placed by the Company on assignment with clients are the Company's employees for all purposes while they are working on assignments. The Company pays the related costs of employment, such as workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. The Company provides access to voluntary health insurance coverage to interested temporary employees.

Other Information

The Company's current business constitutes three business segments. (See Note M of Notes to Consolidated Financial Statement in Item 8. Financial Statements and Supplementary Data for financial information about the Company's segments.)

The Company is not dependent upon a single customer or a limited number of customers. The Company's staffing services operations are generally more active in the first and fourth quarters of a calendar year. Protiviti is generally more active in the third and fourth quarters of a calendar year. Order backlog is not a material aspect of the Company's staffing services

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business. While backlog is of greater importance to Protiviti, the Company does not believe, based upon the length of time of the average Protiviti engagement, that backlog is a material aspect of the Protiviti business. No material portion of the Company's business is subject to government contracts.

Information about foreign operations is contained in Note M of Notes to Consolidated Financial Statements in Item 8. The Company does not have export sales.

Available Information

The Company's Internet address is www.roberthalf.com. The Company makes available, free of charge, through its website, its Annual Reports on Form 10-K, proxy statements for its annual meetings of stockholders, its Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to those reports, as soon as is reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission. Also available on the Company's website are its Corporate Governance Guidelines, its Code of Business Conduct and Ethics, and the charters for its Audit Committee, Compensation Committee and Nominating and Governance Committee, each of which is available in print to any stockholder who makes a request to Robert Half International Inc., 2884 Sand Hill Road, Menlo Park, CA 94025, Attn: Corporate Secretary. The Company's Code of Business Conduct and Ethics is the Code of Ethics required by Item 406 of Securities and Exchange Commission Regulation S-K. The Company intends to satisfy any disclosure obligations under Item 5.05 of Form 8-K regarding any amendment or waiver relating to its Code of Business Conduct and Ethics by posting such information on its website.

Item 1A. Risk Factors

The Company's business prospects are subject to various risks and uncertainties that impact its business. The most important of these risks and uncertainties are as follows:

Any reduction in global economic activity may harm the Company's business and financial condition. The demand for the Company's services, in particular its staffing services, is highly dependent upon the state of the economy and upon the staffing needs of the Company's clients. Certain of the Company's markets have recently experienced prolonged economic downturns characterized by high unemployment, limited availability of credit and decreased consumer and business spending. In addition, certain geopolitical events, including the ongoing negotiation of the United Kingdom's withdrawal from the European Union ("Brexit"), have caused significant economic, market, political and regulatory uncertainty in some of the Company's markets. Any decline in the economic condition or employment levels of the U.S. or of any of the foreign countries in which the Company does business, or in the economic condition of any region of any of the foregoing, or in any specific industry may severely reduce the demand for the Company's services and thereby significantly decrease the Company's revenues and profits. Further, continued or intensifying economic, political or regulatory uncertainty in the Company's markets could reduce demand for the Company's services.

The Company's business depends on a strong reputation and anything that harms its reputation will likely harm its results. As a provider of temporary and permanent staffing solutions as well as consultant services, the Company's reputation is dependent upon the performance of the employees it places with its clients and the services rendered by its consultants. The Company depends on its reputation and name recognition to secure engagements and to hire qualified employees and consultants. If the Company's clients become dissatisfied with the performance of those employees or consultants or if any of those employees or consultants engage in or are believed to have engaged in conduct that is harmful to the Company's clients, the Company's ability to maintain or expand its client base may be harmed.

The Company and certain subsidiaries are defendants in several lawsuits that could cause the Company to incur substantial liabilities. The Company and certain subsidiaries are defendants in several actual or asserted class and representative action lawsuits brought by or on behalf of the Company's current and former employees alleging violations of federal and state law with respect to certain wage and hour related matters, as well as claims challenging the Company's compliance with the Fair Credit Reporting Act. The various claims made in one or more of such lawsuits include, among other things, the misclassification of certain employees as exempt employees under applicable law, failure to comply with wage statement requirements, failure to compensate certain employees for time spent performing activities related to the interviewing process, and other related wage and hour violations. Such suits seek, as applicable, unspecified amounts for unpaid overtime compensation, penalties, and other damages, as well as

attorneys' fees. It is not possible to predict the outcome of these lawsuits. However, these lawsuits may consume substantial amounts of the Company's financial and managerial resources and might result in adverse publicity, regardless of the ultimate outcome of the lawsuits. In addition, the Company and its subsidiaries may become subject to similar lawsuits in the same or other jurisdictions, or to various other claims, disputes, and legal or regulatory proceedings that arise in the ordinary course of business. An unfavorable outcome with respect to these lawsuits and any future lawsuits or regulatory proceedings could, individually or in the aggregate, cause the Company to incur

substantial liabilities or impact its operations in such a way that may have a material adverse effect upon the Company's business, financial condition or results of operations. Furthermore, any future lawsuits, claims, disputes, or legal or regulatory proceedings may also consume substantial amounts of the Company's financial and managerial resources and might result in adverse publicity, regardless of the ultimate outcome. In addition, an unfavorable outcome in one or more of these cases could cause the Company to change its compensation plans for its employees, which could have a material adverse effect upon the Company's business.

The Company faces risks in operating internationally. The Company depends on operations in international markets, including Europe, for a significant portion of its business. In the past several years, the European market experienced economic uncertainty, which adversely affected, and the return of which may in the future adversely affect, the Company's operations in Europe. In particular, Brexit has contributed to, and may continue to contribute to, European economic, market and regulatory uncertainty and could adversely affect European or worldwide economic, market, regulatory, or political conditions. To the extent that adverse economic conditions and uncertainty in Europe (related to Brexit or otherwise) worsen, demand for the Company's services may decline, which could significantly harm its business and results of operations. In addition, these international operations are subject to a number of risks, including general political and economic conditions in those foreign countries, the burden of complying with various foreign laws and technical standards and unpredictable changes in foreign regulations, U.S. legal requirements governing U.S. companies operating in foreign countries, legal and cultural differences in the conduct of business, potential adverse tax consequences and difficulty in staffing and managing international operations. In addition, the Company's business may be affected by foreign currency exchange fluctuations. In particular, the Company is subject to risk in translating its results in foreign currencies into the U.S. dollar. If the value of the U.S. dollar strengthens relative to other currencies, the Company's reported income from these operations could decrease. The value of the U.S. dollar has recently strengthened considerably against a number of major foreign currencies, and a continuation or extension of this strength relative to these other currencies could adversely impact the Company's reported income from its international markets and cause its revenue in such markets, when translated into U.S. dollars, to decline. The Company could also be exposed to fines and penalties under U.S. or local jurisdiction trade sanctions and controls as well as laws prohibiting corrupt payments to governmental officials. Although the Company has implemented policies and procedures designed to ensure compliance with these laws, it cannot be sure that its employees, contractors or agents will not violate such policies. Any such violations could materially damage the Company's reputation, brand, business and operating results. Further, changes in U.S. laws and policies governing foreign trade or investment and use of foreign operations or workers, and any negative sentiments towards the United States as a result of such changes, could adversely affect the Company's operations.

Government regulations may result in prohibition or restriction of certain types of employment services or the imposition of additional licensing or tax requirements that may reduce the Company's future earnings. In many jurisdictions in which the Company operates, the employment services industry is heavily regulated. For example, governmental regulations in some countries restrict the length of contracts and the industries in which the Company's employees may be used. In other countries, special taxes, fees or costs are imposed in connection with the use of its employees. Additionally, trade unions in some countries have used the political process to target the industry, in an effort to increase the regulatory burden and expense associated with offering or utilizing temporary staffing solutions. The countries in which we operate may, among other things:

- create additional regulations that prohibit or restrict the types of employment services that the Company currently provides;
- require new or additional benefits be paid to the Company's employees;
- require the Company to obtain additional licensing to provide employment services; or
- increase taxes, such as sales or value-added taxes, payable by the providers of temporary workers.

Any future regulations may have a material adverse effect on the Company's business and financial results because they may make it more difficult or expensive for the Company to continue to provide employment services.

Additionally, as the Company expands existing service offerings, adds new service offerings, or enters new markets, it may become subject to additional restrictions and regulations which may impede its business, increase costs and impact profitability.

The Company may be unable to find sufficient candidates for its staffing business. The Company's staffing services business consists of the placement of individuals seeking employment. There can be no assurance that candidates for employment will continue to seek employment through the Company. Candidates generally seek temporary or regular positions through multiple sources, including the Company and its competitors. Unemployment in the United States has been low in the past couple of years and has recently decreased further; some economists have speculated that in certain markets, the U.S. could be at or near full employment. This phenomenon has made finding sufficient eligible candidates to meet employers'

demands more challenging and further increases in the employment rates could compound these difficulties. Any shortage of candidates could materially adversely affect the Company.

The Company operates in a highly competitive business and may be unable to retain clients or market share. The staffing services business is highly competitive and, because it is a service business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than the Company, and new competitors are entering the market all the time. In addition, long-term contracts form a negligible portion of the Company's revenue. Therefore, there can be no assurance that the Company will be able to retain clients or market share in the future. Nor can there be any assurance that the Company will, in light of competitive pressures, be able to remain profitable or, if profitable, maintain its current profit margins.

The Company may incur potential liability to employees and clients. The Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. The Company's ability to control the workplace environment is limited. As the employer of record of its temporary employees, the Company incurs a risk of liability to its temporary employees for various workplace events, including claims of physical injury, discrimination, harassment or failure to protect confidential personal information. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that such claims in the future will not result in adverse publicity or have a material adverse effect upon the Company. The Company also incurs a risk of liability to its clients resulting from allegations of errors, omissions or theft by its temporary employees, or allegations of misuse of client confidential information. In many cases, the Company has agreed to indemnify its clients in respect of these types of claims. The Company maintains insurance with respect to many of such claims. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that the Company will continue to be able to obtain insurance at a cost that does not have a material adverse effect upon the Company or that such claims (whether by reason of the Company not having sufficient insurance or by reason of such claims being outside the scope of the Company's insurance) will not have a material adverse effect upon the Company.

The Company is dependent on its management personnel and employees and a failure to attract and retain such personnel could harm its business. The Company is engaged in the services business. As such, its success or failure is highly dependent upon the performance of its management personnel and employees, rather than upon technology or upon tangible assets (of which the Company has few). There can be no assurance that the Company will be able to attract and retain the personnel that are essential to its success.

The Company's business is subject to extensive government regulation and a failure to comply with regulations could harm its business. The Company's business is subject to regulation or licensing in many states in the U.S. and in certain foreign countries. While the Company has had no material difficulty complying with regulations in the past, there can be no assurance that the Company will be able to continue to obtain all necessary licenses or approvals or that the cost of compliance will not prove to be material. Any inability of the Company to comply with government regulation or licensing requirements could materially adversely affect the Company. Further, changes to existing regulation or licensing requirements could impose additional costs and other burdens or limitations on the Company's operations. In addition, the Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially adversely affect the Company. In addition, to the extent that government regulation imposes increased costs upon the Company, such as unemployment insurance taxes, there can be no assurance that such costs will not adversely impact the Company's profit margins. Further, lawsuits or other proceedings related to the Company's compliance with government regulations or licensing requirements could materially adversely affect the Company. For example, the Company is currently named as a defendant in litigation challenging its compliance with the Fair Credit Reporting Act. It is not possible to predict the outcome of such litigation; however, such litigation or any future lawsuits or proceedings related to the Company's compliance with government regulation or licensing requirements could consume substantial amounts of the Company's financial and managerial resources and might result in adverse publicity, regardless of the ultimate outcome of any such lawsuits or other proceedings. An unfavorable outcome with respect to such litigation or any future lawsuits or proceedings could, individually or in the aggregate, cause the

Company to incur substantial liabilities that may have a material adverse effect upon the Company's business, financial condition or results of operations.

Health care reform could increase the costs of the Company's temporary staffing operations. In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "PPACA") was signed into law in the United States. In 2015, the Company redesigned its employee benefits to offer health insurance coverage to its temporary candidates in order to meet the requirements of the PPACA's employer mandate.

It is likely that President Trump and the U.S. Congress will continue to seek to modify, repeal, or otherwise invalidate all, or certain provisions of, the PPACA. President Trump has issued multiple executive orders in support of repealing the PPACA,

in whole or in part, and the U.S. Congress has made several attempts to repeal or modify the PPACA. It is unclear at this point what the scope of any future such legislation will be and when it will become effective. Because of the uncertainty surrounding this replacement health care reform legislation, we cannot predict with any certainty the likely impact of the PPACA's repeal or the adoption of any other health care reform legislation on the Company's financial condition or operating results. Whether or not there is alternative health care legislation enacted in the U.S., there is likely to be significant disruption to the health care market in the coming months and years and the costs of the Company's health care expenditures may increase.

The Company's computer and communications hardware and software systems are vulnerable to damage and interruption. The Company's ability to manage its operations successfully is critical to its success and largely depends upon the efficient and uninterrupted operation of its computer and communications hardware and software systems, some of which are managed by third-party vendors. The Company's primary computer systems and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events and errors in usage by the Company's employees and those of the Company's vendors. In particular, the Company's employees or vendors may have access or exposure to personally identifiable or otherwise confidential information and customer data and systems, the misuse of which could result in legal liability. Cyber-attacks, including attacks motivated by grievances against the business services industry in general or against the Company in particular, may disable or damage its systems. It is possible that the Company's security controls or those of its third-party vendors over personal and other data and other practices it follows may not prevent the improper access to or disclosure of personally identifiable or otherwise confidential information. Such disclosure or damage to the Company's systems could harm its reputation and subject it to government sanctions and liability under its contracts and laws that protect personal data and confidential information, resulting in increased costs or loss of revenue. The potential risk of security breaches and cyber-attacks may increase as the Company introduces new service offerings.

Changes in data privacy and protection laws and regulations in respect of control of personal information could increase the Company's costs or otherwise adversely impact its operations. In the ordinary course of business, the Company collects, uses, and retains personal information from its employees, employment candidates, and contractors, including, without limitation, full names, government-issued identification numbers, addresses, birth dates, and payroll-related information. The possession and use of personal information in conducting the Company's business subjects it to a variety of complex and evolving domestic and foreign laws and regulations regarding data privacy, protection and security, which, in many cases, apply not only to third-party transactions, but also to transfers of information among the Company and its subsidiaries. For example, the European Union's General Data Protection Regulation ("GDPR"), which becomes effective in May 2018, will impose more stringent operational requirements for entities processing personal information, such as stronger safeguards for data transfers to countries outside the European Union and stronger enforcement authorities and mechanisms. Complying with the enhanced obligations imposed by the GDPR and other current and future laws and regulations relating to data transfer, residency, privacy and protection may increase the Company's operating costs and require significant management time and attention, while any failure by the Company or its subsidiaries to comply with applicable laws could result in governmental enforcement actions, fines, and other penalties that could potentially have an adverse effect on the Company's operations and reputation.

Failure to maintain adequate financial and management processes and controls could lead to errors in the Company's financial reporting. Failure to maintain adequate financial and management processes and controls could lead to errors in the Company's financial reporting. If the Company's management is unable to certify the effectiveness of its internal controls or if its independent registered public accounting firm cannot render an opinion on the effectiveness of its internal control over financial reporting, or if material weaknesses in the Company's internal controls are identified, the Company could be subject to regulatory scrutiny and a loss of public confidence. In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause its stock price to fall.

The Company's results of operations and ability to grow could be materially negatively affected if it cannot successfully keep pace with technological changes in the development and implementation of its services. The

Company's success depends on its ability to keep pace with rapid technological changes in the development and implementation of its services. The Company's business is reliant on a variety of technologies, including those which support hiring and tracking, order management, billing, and client data analytics. If the Company does not sufficiently invest in new technology and industry developments, appropriately implement new technologies, or evolve its business at sufficient speed and scale in response to such developments, or if it does not make the right strategic investments to respond to these developments, the Company's services, results of operations, and ability to develop and maintain its business could be negatively affected.

The demand for the Company's services related to Sarbanes-Oxley or other regulatory compliance may decline. The operations of both the staffing services business and Protiviti include services related to Sarbanes-Oxley and other regulatory compliance. There can be no assurance that there will be ongoing demand for these services. For example, the Jumpstart Our

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Business Startup (“JOBS”) Act signed into law in April of 2012 allows most companies going public in the U.S. to defer implementation of some of the provisions of Sarbanes-Oxley for up to five years after their initial public offering. Similarly there are a number of proposals currently being considered by the U.S. Congress to further delay or, in some cases, remove the requirements of Sarbanes-Oxley for a number of public companies. Further, many analysts are expecting the U.S. Congress and President Trump to seek to repeal or modify legislation that is viewed as having over-regulated certain sectors of the U.S. economy and decreased the incentive for U.S. companies to go public and their ability to effectively compete with foreign competition. These or other similar modifications of the regulatory requirements could decrease demand for Protiviti’s services.

Long-term contracts do not comprise a significant portion of the Company’s revenue. Because long-term contracts are not a significant part of the Company’s staffing services business, future results cannot be reliably predicted by considering past trends or extrapolating past results. Additionally, the Company’s clients will frequently enter into non-exclusive arrangements with several firms, which the client is generally able to terminate on short notice and without penalty. The nature of these arrangements further exacerbates the difficulty in predicting our future results. U.S. federal tax regulations and interpretations could adversely affect the Company. On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJA”) was signed into law. The TCJA resulted in a revaluation of the Company’s estimated deferred income tax net assets and a resulting one-time non-cash charge to its provision for income taxes in an amount of \$34 million, or \$.27 per share, in the fourth quarter of 2017. See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Company’s Consolidated Financial Statements and the Notes thereto contained in Item 8. Financial Statements and Supplementary Data. In addition, the TCJA contains significant changes to corporate taxation, including the reduction of the corporate tax rate from 35% to 21% beginning in 2018, limitation for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, elimination of U.S. tax on foreign earnings (subject to certain important exceptions), and modifying or repealing many business deductions (including the ability to deduct executive compensation expenses in excess of \$1 million in virtually all instances). Notwithstanding the reduction in the corporate income tax rate, the overall impact of these changes on the Company’s results of operations is uncertain and will likely evolve as new regulations and interpretations relating to the TCJA are implemented. In addition, various political figures have pledged their support to overturning or modifying key aspects of the TCJA which could further increase the uncertainty relating to the impact of this or any future tax legislation on the Company’s results of operations.

Protiviti may be unable to attract and retain key personnel. Protiviti is a services business, and is dependent upon its ability to attract and retain qualified, skilled personnel. While Protiviti has retained its key personnel to date, there can be no assurance that it will continue to be able to do so.

Protiviti operates in a highly competitive business and faces competitors who are significantly larger and have more established reputations. Protiviti operates in a highly competitive business. As with the Company’s staffing services business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than Protiviti and many of which have been in operation far longer than Protiviti. In particular, Protiviti faces competition from the “big four” accounting firms, which have been in operation for a considerable period of time and have established reputations and client bases. Because the principal factors upon which competition is based are reputation, technology, tools, project methodologies, price of services and depth of skills of personnel, there can be no assurance that Protiviti will be successful in attracting and retaining clients or be able to maintain the technology, personnel and other requirements to successfully compete.

Protiviti’s operations could subject it to liability. The business of Protiviti consists of providing business consulting and internal audit services. Liability could be incurred or litigation could be instituted against the Company or Protiviti for claims related to these activities or to prior transactions or activities. There can be no assurance that such liability or litigation will not have a material adverse impact on Protiviti or the Company.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

The Company's headquarters operations are located in Menlo Park and San Ramon, California. As of December 31, 2017, placement activities were conducted through 323 offices located in the United States, Canada, the United Kingdom, Belgium, Brazil, France, the Netherlands, Germany, Luxembourg, Switzerland, Japan, China, Singapore, Australia, New Zealand, Austria, the United Arab Emirates, and Chile. As of December 31, 2017, Protiviti had 56 offices in the United States, Canada, Australia, China, France, Germany, Italy, the Netherlands, Japan, Singapore, India and the United Kingdom. All of the offices are leased.

Item 3. Legal Proceedings

On March 13, 2014, Plaintiff Leonor Rodriguez, on her own behalf and on behalf of a putative class of allegedly similarly situated individuals, filed a complaint against the Company in the Superior Court of California, San Diego County. The complaint alleges that a putative class of current and former employees of the Company working in California since March 13, 2011 were denied compensation for the time they spent interviewing with clients of the Company as well as performing activities related to the interview process. Rodriguez seeks recovery on her own behalf and on behalf of the putative class in an unspecified amount for this allegedly unpaid compensation. Rodriguez also seeks recovery of an unspecified amount for the alleged failure of the Company to provide her and the putative class with accurate wage statements. Rodriguez also seeks an unspecified amount of other damages, attorneys' fees, and statutory penalties, including but not limited to statutory penalties on behalf of herself and other allegedly "aggrieved employees" as defined by California's Labor Code Private Attorney General Act ("PAGA"). On October 10, 2014, the Court granted a motion by the Company to compel all of Rodriguez's claims, except the PAGA claim, to individual arbitration. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding and, accordingly, no amounts have been provided in the Company's Financial Statements. The Company believes it has meritorious defenses to the allegations and the Company intends to continue to vigorously defend against the litigation.

On March 23, 2015, Plaintiff Jessica Gentry, on her own behalf and on behalf of a putative class of allegedly similarly situated individuals, filed a complaint against the Company in the Superior Court of California, San Francisco County, which was subsequently amended on October 23, 2015. The complaint, which was filed by the same plaintiffs' law firm that brought the Rodriguez matter described above, alleges claims similar to those alleged in Rodriguez. Specifically, the complaint alleges that a putative class of current and former employees of the Company working in California since March 13, 2010 were denied compensation for the time they spent interviewing "for temporary and permanent employment opportunities" as well as performing activities related to the interview process. Gentry seeks recovery on her own behalf and on behalf of the putative class in an unspecified amount for this allegedly unpaid compensation. Gentry also seeks recovery of an unspecified amount for the alleged failure of the Company to provide her and the putative class with accurate wage statements. Gentry also seeks an unspecified amount of other damages, attorneys' fees, and statutory penalties, including penalties for allegedly not paying all wages due upon separation to former employees and statutory penalties on behalf of herself and other allegedly "aggrieved employees" as defined by PAGA. On January 4, 2016, the Court denied a motion by the Company to compel all of Gentry's claims, except the PAGA claim, to individual arbitration. At this stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding and, accordingly, no amounts have been provided in the Company's Financial Statements. The Company believes it has meritorious defenses to the allegations and the Company intends to continue to vigorously defend against the litigation.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these other matters to have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is subject to certain inherent uncertainties.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price, Dividends and Related Matters

The Company's Common Stock is listed for trading on the New York Stock Exchange under the symbol "RHI". On January 31, 2018, there were 997 holders of record of the Common Stock.

Following is a list by fiscal quarters of the sales prices of the stock:

	Sales Prices	
2017	High	Low
4th Quarter	\$57.67	\$48.21
3rd Quarter	\$50.72	\$42.92
2nd Quarter	\$49.03	\$44.09
1st Quarter	\$50.98	\$45.00

	Sales Prices	
2016	High	Low
4th Quarter	\$49.63	\$34.42
3rd Quarter	\$41.50	\$35.67
2nd Quarter	\$47.26	\$34.34
1st Quarter	\$46.75	\$36.17

Cash dividends of \$.24 per share were declared and paid in each quarter of 2017. Cash dividends of \$.22 per share were declared and paid in each quarter of 2016.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans (b)
October 1, 2017 to October 31, 2017	—	—	—	3,409,578
November 1, 2017 to November 30, 2017	375,591	\$ 53.78	375,591	3,033,987
December 1, 2017 to December 31, 2017	809,617	(a) \$ 54.57	713,108	2,320,879
Total October 1, 2017 to December 31, 2017	1,185,208		1,088,699	

(a) Includes 96,509 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.

Commencing in October 1997, the Company's Board of Directors has, at various times, authorized the repurchase, from time to time, of the Company's common stock on the open market or in privately negotiated transactions depending on market conditions. Since plan inception, a total of 108,000,000 shares have been authorized for repurchase of which 105,679,121 shares have been repurchased as of December 31, 2017. As disclosed in Note O and Item 9B, on February 13, 2018, an additional 10,000,000 shares have been authorized for repurchase bringing the total repurchase authorization since plan inception to 118,000,000.

The remainder of the information required by this item is incorporated by reference to Part III, Item 12 of this Form 10-K.

Stock Performance Graph

The following graph compares, through December 31, 2017, the cumulative total return of the Company's Common Stock, an index of certain publicly traded employment services companies, and the S&P 500. The graph assumes the investment of \$100 at the beginning of the period depicted in the chart and reinvestment of all dividends. The information presented in the graph was obtained by the Company from outside sources it considers to be reliable but has not been independently verified by the Company.

This index represents the cumulative total return of the Company and the following corporations providing temporary or permanent employment services: Kelly Services, Inc.; Kforce Inc.; ManpowerGroup; and Resources (a) Connection Inc. CDI Corp., which was previously included in this graph, was acquired by a private equity investor and ceased to be publicly traded effective September 13, 2017.

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Item 6. Selected Financial Data

The selected five-year financial data presented below should be read in conjunction with the information contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Company's Consolidated Financial Statements and the Notes thereto contained in Item 8. Financial Statements and Supplementary Data.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Income Statement Data:					
Net service revenues	\$5,266,789	\$5,250,399	\$5,094,933	\$4,695,014	\$4,245,895
Direct costs of services, consisting of payroll, payroll taxes, benefit costs and reimbursable expenses	3,102,977	3,089,723	2,980,462	2,772,098	2,522,803
Gross margin	2,163,812	2,160,676	2,114,471	1,922,916	1,723,092
Selling, general and administrative expenses	1,646,532	1,606,217	1,533,799	1,425,734	1,324,815
Amortization of intangible assets	1,563	1,237	192	557	1,700
Interest income, net	(1,799)	(888)	(550)	(724)	(1,002)
Income before income taxes	517,516	554,110	581,030	497,349	397,579
Provision for income taxes	226,932	210,721	223,234	191,421	145,384
Net income	\$290,584	\$343,389	\$357,796	\$305,928	\$252,195
Net income available to common stockholders—diluted	\$290,584	\$343,389	\$357,796	\$305,928	\$252,192

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share amounts)				
Net Income Per Share:					
Basic	\$2.34	\$2.68	\$2.72	\$2.28	\$1.85
Diluted	\$2.33	\$2.67	\$2.69	\$2.26	\$1.83
Shares:					
Basic	124,152	127,991	131,749	134,358	136,153
Diluted	124,892	128,766	132,930	135,541	137,589
Cash Dividends Declared Per Share	\$.96	\$.88	\$.80	\$.72	\$.64

	December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Balance Sheet Data:					
Total assets	\$1,867,454	\$1,777,971	\$1,671,044	\$1,620,830	\$1,479,670
Notes payable and other indebtedness, less current portion	\$657	\$840	\$1,007	\$1,159	\$1,300
Stockholders' equity	\$1,105,265	\$1,086,599	\$1,003,781	\$979,858	\$919,643

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain information contained in Management's Discussion and Analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect the Company's future operating results or financial positions. These statements may be identified by words such as "estimate", "forecast", "project", "plan", "intend", "believe", "expect", "anticipate", or variations or negatives thereof or by similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. These risks and uncertainties include, but are not limited to, the following: changes to or new interpretations of U.S. or international tax regulations; the global financial and economic situation; changes in levels of unemployment and other economic conditions in the United States or foreign countries where the Company does business, or in particular regions or industries; reduction in the supply of candidates for temporary employment or the Company's ability to attract candidates; the entry of new competitors into the marketplace or expansion by existing competitors; the ability of the Company to maintain existing client relationships and attract new clients in the context of changing economic or competitive conditions; the impact of competitive pressures, including any change in the demand for the Company's services, on the Company's ab