

HALF ROBERT INTERNATIONAL INC /DE/
Form 10-Q
May 06, 2013

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

OR

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

FOR THE TRANSITION PERIOD FROM to .

Commission File Number 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: HALF ROBERT INTERNATIONAL INC /DE/ - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1648752
(I.R.S. Employer
Identification No.)

2884 Sand Hill Road
Suite 200

Menlo Park, California
(Address of principal executive offices)

94025
(zip-code)

Registrant's telephone number, including area code: (650) 234-6000

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 30, 2013:

139,543,964 shares of \$.001 par value Common Stock

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
 ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands, except share amounts)

	March 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	\$ 225,351	\$ 287,635
Accounts receivable, less allowances of \$26,009 and \$24,852	547,500	512,852
Current deferred income taxes	104,225	102,993
Other current assets	199,325	161,205
Total current assets	1,076,401	1,064,685
Goodwill	200,835	201,339
Other intangible assets, net	1,822	2,256
Property and equipment, net	103,374	107,680
Other assets	5,313	5,311
Total assets	\$ 1,387,745	\$ 1,381,271
LIABILITIES		
Accounts payable and accrued expenses	\$ 127,773	\$ 139,879
Accrued payroll costs and retirement obligations	343,628	361,641
Income taxes payable	25,869	
Current portion of notes payable and other indebtedness	1,811	117
Total current liabilities	499,081	501,637
Notes payable and other indebtedness, less current portion	1,397	1,428
Other liabilities	32,743	36,195
Total liabilities	533,221	539,260
Commitments and Contingencies (Note G and Note L)		
STOCKHOLDERS EQUITY		
Preferred stock, \$.001 par value authorized 5,000,000 shares; issued and outstanding zero shares		
Common stock, \$.001 par value authorized 260,000,000 shares; issued and outstanding 139,525,784 shares and 139,438,603 shares	140	139
Capital surplus	816,376	798,093
Accumulated other comprehensive income	38,008	43,779
Retained earnings		
Total stockholders equity	854,524	842,011
Total liabilities and stockholders equity	\$ 1,387,745	\$ 1,381,271

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2013	2012
Net service revenues	\$ 1,023,684	\$ 1,015,444
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	613,394	613,361
Gross margin	410,290	402,083
Selling, general and administrative expenses	320,785	322,018
Amortization of intangible assets	433	35
Interest income, net	(304)	(234)
Income before income taxes	89,376	80,264
Provision for income taxes	33,513	31,930
Net income	\$ 55,863	\$ 48,334
Net income available to common stockholders diluted	\$ 55,861	\$ 48,070
Net income per share (Note J):		
Basic	\$.41	\$.34
Diluted	\$.40	\$.34
Shares:		
Basic	137,311	139,384
Diluted	138,394	140,443
Cash dividends declared per share	\$.16	\$.15

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three Months Ended March 31,	
	2013	2012
COMPREHENSIVE INCOME:		
Net income	\$ 55,863	\$ 48,334
Foreign currency translation adjustments, net of tax	(5,771)	4,072
Total comprehensive income	\$ 50,092	\$ 52,406

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2013	2012
COMMON STOCK SHARES:		
Balance at beginning of period	139,439	142,086
Net issuances of restricted stock	510	709
Repurchases of common stock	(1,289)	(1,926)
Exercises of stock options	866	1,434
Balance at end of period	139,526	142,303
COMMON STOCK PAR VALUE:		
Balance at beginning of period	\$ 139	\$ 142
Net issuances of restricted stock	1	1
Repurchases of common stock	(1)	(2)
Exercise of stock options	1	1
Balance at end of period	\$ 140	\$ 142
CAPITAL SURPLUS:		
Balance at beginning of period	\$ 798,093	\$ 759,476
Net issuances of restricted stock at par value	(1)	(1)
Repurchases of common stock excess over par value		(8,058)
Cash dividends (\$.16 per share and \$.15 per share)	(12,256)	(21,370)
Stock-based compensation expense	8,208	8,886
Exercises of stock options excess over par value	19,938	26,082
Tax impact of equity incentive plans	2,394	5,564
Balance at end of period	\$ 816,376	\$ 770,579
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Balance at beginning of period	\$ 43,779	\$ 40,887
Foreign currency translation adjustments, net of tax	(5,771)	4,072
Balance at end of period	\$ 38,008	\$ 44,959
RETAINED EARNINGS:		
Balance at beginning of period	\$	\$
Net income	55,863	48,334
Repurchases of common stock excess over par value	(45,672)	(48,334)
Cash dividends (\$.16 per share)	(10,191)	
Balance at end of period	\$	\$

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 55,863	\$ 48,334
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	433	35
Depreciation expense	11,747	12,246
Stock-based compensation expense restricted stock and stock units	8,208	8,886
Excess tax benefits from stock-based compensation	(992)	(2,438)
Deferred income taxes	(4,117)	(1,554)
Provision for doubtful accounts receivable	2,642	2,321
Changes in assets and liabilities:		
Increase in accounts receivable	(42,598)	(28,518)
Decrease in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	(25,011)	(37,161)
Increase in income taxes payable	31,092	26,070
Change in other assets, net of change in other liabilities	(9,382)	(5,007)
Net cash flows provided by operating activities	27,885	23,214
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(8,082)	(10,372)
Increase in trusts for employee benefits and retirement plans	(29,669)	(1,478)
Net cash flows used in investing activities	(37,751)	(11,850)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchases of common stock	(45,673)	(56,394)
Cash dividends paid	(22,021)	(21,016)
Decrease in notes payable and other indebtedness	(2,643)	(32)
Excess tax benefits from stock-based compensation	992	2,438
Proceeds from exercises of stock options	19,938	26,081
Net cash flows used in financing activities	(49,407)	(48,923)
Effect of exchange rate changes on cash and cash equivalents	(3,011)	2,676
Net decrease in cash and cash equivalents	(62,284)	(34,883)
Cash and cash equivalents at beginning of period	287,635	279,336
Cash and cash equivalents at end of period	\$ 225,351	\$ 244,453
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 98	\$ 107
Income taxes, net of refunds	\$ 7,356	\$ 7,028

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2013

Note A Summary of Significant Accounting Policies

Nature of Operations. 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 a 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 advertising, marketing, and web design fields. *Protiviti* provides business consulting and internal audit services, and is a wholly-owned subsidiary of the Company. Revenues are predominantly derived from specialized staffing services. The Company operates in North America, South America, Europe, Asia and Australia. The Company is a Delaware corporation.

Basis of Presentation. The unaudited Condensed Consolidated Financial Statements (Financial Statements) of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and the rules of the Securities and Exchange Commission (SEC). The comparative year-end condensed consolidated statement of financial position data presented was derived from audited financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of the financial position and results of operations for the periods presented have been included. These Financial Statements should be read in conjunction with the audited Consolidated Financial Statements of the Company for the year ended December 31, 2012, included in its annual report on Form 10-K. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for a full year.

Principles of Consolidation. The Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany balances have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As of March 31, 2013, such estimates included allowances for uncollectible accounts receivable, workers' compensation losses, and income and other taxes. Management estimates are also utilized in the Company's goodwill impairment assessment.

Advertising Costs. The Company expenses all advertising costs as incurred. Advertising costs for the three months ended March 31, 2013 and 2012, are reflected in the following table (in thousands):

	Three Months Ended March 31,	
	2013	2012
Advertising costs	\$ 9,903	\$ 9,936

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

March 31, 2013

Note A Summary of Significant Accounting Policies (Continued)

Internal-use Software. The Company capitalizes direct costs incurred in the development of internal-use software. Amounts capitalized are reported as a component of computer software within property and equipment. Internal-use software development costs capitalized for the three months ended March 31, 2013 and 2012 are reflected in the following table (in thousands):

	Three Months Ended March 31,	
	2013	2012
Internal-use software development costs	\$ 1,170	\$ 4,696

Note B New Accounting Pronouncements

Balance Sheet Disclosures. In December 2011, the Financial Standards Board (FASB) issued authoritative guidance in regards to the presentation of netting assets and liabilities related to financial and derivative instruments as a single amount in the statement of financial position to address the difference between GAAP and international financial reporting standards (IFRS). This authoritative guidance is to be applied for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance as of March 31, 2013, did not have an impact on the Company s Financial Statements.

Comprehensive Income. In March 2013, the FASB issued authoritative guidance in regards to comprehensive income and reporting amounts reclassified out of accumulated other comprehensive income to improve the transparency of reporting these reclassifications. Other comprehensive income which included gains and losses that are initially excluded from net income for an accounting period would need to be presented either on the face of the statement where net income is presented or in the notes. This authoritative guidance is to be applied for annual reporting periods beginning after December 15, 2012. The adoption of this guidance as of March 31, 2013, did not have an impact on the Company s Financial Statements.

Note C Other Current Assets

Other current assets consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Deposits in trusts for employee benefits and retirement plans	\$ 129,244	\$ 97,535
Other	70,081	63,670
	\$ 199,325	\$ 161,205

Deposits in trusts for employee benefits increased at March 31, 2013 due to changes in the Company s broad-based Deferred Salary Savings Plan (the Plan) whereby previously unfunded employee accrual accounts were funded so that employees could direct the investments in their accounts. The Company s executive officers do not participate in the Plan.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

March 31, 2013

Note D Goodwill

The following table sets forth the activity in goodwill from December 31, 2012, through March 31, 2013 (in thousands):

	Goodwill
Balance as of December 31, 2012	\$ 201,339
Acquisitions	13
Foreign currency translation adjustments	(517)
Balance as of March 31, 2013	\$ 200,835

Note E Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Computer hardware	\$ 133,138	\$ 132,331
Computer software	272,656	269,917
Furniture and equipment	110,973	114,623
Leasehold improvements	120,255	122,060
Other	12,941	12,884
Property and equipment, cost	649,963	651,815
Accumulated depreciation	(546,589)	(544,135)
Property and equipment, net	\$ 103,374	\$ 107,680

Note F Accrued Payroll Costs and Retirement Obligations

Accrued payroll costs and retirement obligations consisted of the following (in thousands):

	March 31, 2013	December 31, 2012
Payroll and benefits	\$ 198,107	\$ 196,569
Employee retirement obligations	91,933	92,233
Workers compensation	30,218	28,595
Payroll taxes	23,370	44,244
	\$ 343,628	\$ 361,641

Included in employee retirement obligations is the following (in thousands):

	March 31, 2013	December 31, 2012
Deferred compensation plan and other benefits related to the Company's Chief Executive Officer	\$ 73,749	\$ 74,155

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

March 31, 2013

Note G Commitments and Contingencies

On April 23, 2010, Plaintiffs David Opalinski and James McCabe, on behalf of themselves and a putative class of similarly situated Staffing Managers, filed a Complaint in the United States District Court for the District of New Jersey naming the Company and one of its subsidiaries as Defendants. The Complaint alleges that salaried Staffing Managers located throughout the U.S. have been misclassified as exempt from the Fair Labor Standards Act's overtime pay requirements. Plaintiffs seek an unspecified amount for unpaid overtime on behalf of themselves and the class they purport to represent. Plaintiffs also seek an unspecified amount for statutory penalties, attorneys' fees and other damages. On October 6, 2011, the Court granted the Company's motion to compel arbitration of the Plaintiffs' allegations. At this stage, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from these allegations 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 allegations.

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.

Legal costs associated with the resolution of claims, lawsuits and other contingencies are expensed as incurred.

Note H Stockholders' Equity

Stock Repurchase Program. As of March 31, 2013, the Company is authorized to repurchase, from time to time, up to 10.6 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. The number and the cost of common stock shares repurchased during the three months ended March 31, 2013 and 2012, are reflected in the following table (in thousands):

	Three months ended March 31,	
	2013	2012
Common stock repurchased (in shares)	836	1,017
Common stock repurchased	\$ 29,740	\$ 29,487

Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of exercise price and applicable statutory withholding taxes. Repurchases of shares are funded with cash generated from operations. The number and the cost of employee stock plan repurchases made during the three months ended March 31, 2013 and 2012, are reflected in the following table (in thousands):

	Three months ended March 31,	
	2013	2012
Employee stock plan repurchased (in shares)	453	909
Employee stock plan repurchased	\$ 15,933	\$ 26,907

The repurchased shares are held in treasury and are presented as if constructively retired. Treasury stock is accounted for using the cost method. Repurchase activity for the three months ended March 31, 2013 and 2012, is presented in the unaudited Condensed Consolidated Statements of Stockholders' Equity.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

March 31, 2013

Note H Stockholders Equity (Continued)

Cash Dividends. The Company's Board of Directors may at their discretion declare and pay dividends upon the shares of the Company's stock either out of the Company's retained earnings or capital surplus. The cash dividends declared during the three months ended March 31, 2013 and 2012, are reflected in the following table:

	Three months ended March 31,	
	2013	2012
Cash dividends declared per share	\$.16	\$.15

Repurchases of shares and issuances of cash dividends are applied first to the extent of retained earnings and any remaining amounts are applied to capital surplus. As a result, the Company had no retained earnings as of March 31, 2013 and December 31, 2012.

Note I Stock Plans

Under various stock plans, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock. Grants have been made at the discretion of the Committees of the Board of Directors. Grants generally vest over four years. Shares offered under the plans are authorized but unissued shares or treasury shares.

Options currently outstanding under the plans have an exercise price equal to the fair market value of the Company's common stock at the date of grant and consist of non-statutory stock options under the Internal Revenue Code, and generally have a term of 10 years.

Recipients of restricted stock do not pay any cash consideration to the Company for the shares, have the right to vote all shares subject to such grant, and for grants made prior to July 28, 2009, receive all dividends with respect to such shares on the dividend payment dates, whether or not the shares have vested as long as any performance condition has been met. Restricted stock grants made on or after July 28, 2009, contain forfeitable rights to dividends. Dividends for these grants are accrued on the dividend payment dates but are not paid until the shares vest, and dividends accrued for shares that ultimately do not vest are forfeited. Recipients of stock units do not pay any cash consideration for the units, do not have the right to vote, and do not receive dividends with respect to such units. Compensation expense for restricted stock and stock units is generally recognized on a straight-line basis over the vesting period, based on the stock's fair market value on the grant date. For restricted stock grants issued with performance conditions, compensation expense is recognized over each vesting tranche.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

March 31, 2013

Note J Net Income Per Share

The calculation of net income per share for the three months ended March 31, 2013 and 2012 is reflected in the following table (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2013	2012
Basic net income per share:		
Net income	\$ 55,863	\$ 48,334
Income allocated to participating securities basic	2	265
Net income available to common stockholders basic	\$ 55,861	\$ 48,069
Basic weighted average shares	137,311	139,384
Basic net income per share	\$.41	\$.34
Diluted net income per share:		
Net income	\$ 55,863	\$ 48,334
Income allocated to participating securities diluted	2	264
Net income available to common stockholders diluted	\$ 55,861	\$ 48,070
Basic weighted average shares	137,311	139,384
Dilutive effect of potential common shares	1,083	1,059
Diluted weighted average shares	138,394	140,433
Diluted net income per share	\$.40	\$.34

Potential common shares include the dilutive effect of stock options, unvested performance-based restricted stock, restricted stock which contains forfeitable rights to dividends, and stock units. The weighted average diluted common shares outstanding for the three months ended March 31, 2013 and 2012, excludes the effect of the following (in thousands):

	Three Months Ended March 31,	
	2013	2012
Total number of anti-dilutive potential common shares		752

Employee stock options will have a dilutive effect under the treasury method only when the respective period's average market value of the Company's common stock exceeds the exercise proceeds. Under the treasury method, exercise proceeds include the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in capital surplus, if the options were exercised and the stock units and performance-based restricted stock had vested.

Note K Business Segments

Edgar Filing: HALF ROBERT INTERNATIONAL INC /DE/ - Form 10-Q

The Company, which aggregates its operating segments based on the nature of services, has three reportable segments: temporary and consultant staffing, permanent placement staffing, and risk consulting and internal audit services. The temporary and consultant segment provides specialized staffing in the accounting and finance, administrative and office, information technology, legal, advertising, marketing and web design fields. The permanent placement segment provides full-time personnel in the accounting, finance, administrative and office, and information technology fields. The risk consulting segment provides business and technology risk consulting and internal audit services.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

March 31, 2013

Note K Business Segments (Continued)

The accounting policies of the segments are set forth in Note A Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The Company evaluates performance based on income or loss from operations before net interest income, intangible amortization expense, and income taxes.

The following table provides a reconciliation of revenue and operating income (loss) by reportable segment to consolidated results (in thousands):

	Three Months Ended March 31,	
	2013	2012
Net service revenues		
Temporary and consultant staffing	\$ 823,422	\$ 829,657
Permanent placement staffing	83,377	82,862
Risk consulting and internal audit services	116,885	102,925
	\$ 1,023,684	\$ 1,015,444
Operating income (loss)		
Temporary and consultant staffing	\$ 73,180	\$ 69,154
Permanent placement staffing	12,585	13,266
Risk consulting and internal audit services	3,740	(2,355)
	89,505	80,065
Amortization of intangible assets	433	35
Interest income, net	(304)	(234)
Income before income taxes	\$ 89,376	\$ 80,264

Note L Subsequent Events

On May 2, 2013, the Company announced the following:

Quarterly dividend per share	\$.16
Declaration date	May 2, 2013
Record date	May 24, 2013
Payment date	June 14, 2013

On April 19, 2013, Plaintiff Vincent Uberti, on his own behalf and on behalf of a putative class of allegedly similarly situated individuals, filed a complaint in the Orange County Superior Court of the State of California, naming the Company (as well other defendants). With respect to the Company, the complaint alleges that a putative class of current and former employees of the Company working in California were denied compensation for the time they spent interviewing with current and potential clients of the Company, over an alleged Class

Edgar Filing: HALF ROBERT INTERNATIONAL INC /DE/ - Form 10-Q

Period covering four years prior to the filing of the complaint. Uberti seeks recovery on his own behalf and on behalf of the putative class in an unspecified amount for this allegedly unpaid compensation. Uberti also seeks recovery of an unspecified amount for the alleged failure of the Company to provide him and the putative class with accurate wage statements. Uberti also seeks recovery of an unspecified amount for statutory penalties, attorney's fees and other damages. 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 vigorously defend against the litigation.

ITEM 2. 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 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: 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 ability to maintain its margins; the possibility of the Company incurring liability for its activities, including the activities of its temporary employees, or for events impacting its temporary employees on clients' premises; the possibility that adverse publicity could impact the Company's ability to attract and retain clients and candidates; the success of the Company in attracting, training, and retaining qualified management personnel and other staff employees; the Company's ability to comply with governmental regulations affecting personnel services businesses in particular or employer/employee relationships in general; whether there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; the Company's reliance on short-term contracts for a significant percentage of its business; litigation relating to prior or current transactions or activities, including litigation that may be disclosed from time to time in the Company's SEC filings; the ability of the Company to manage its international operations and comply with foreign laws and regulations; the impact of fluctuations in foreign currency exchange rates; the possibility that the additional costs the Company will incur as a result of health care reform legislation may adversely affect the Company's profit margins or the demand for the Company's services; the possibility that the Company's computer and communications hardware and software systems could be damaged or their service interrupted; and the possibility that the Company may fail to maintain adequate financial and management controls and as a result suffer errors in its financial reporting. Additionally, with respect to Protiviti, other risks and uncertainties include the fact that future success will depend on its ability to retain employees and attract clients; there can be no assurance that there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; failure to produce projected revenues could adversely affect financial results; and there is the possibility of involvement in litigation relating to prior or current transactions or activities. Because long-term contracts are not a significant part of the Company's business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

Critical Accounting Policies and Estimates

The Company's most critical accounting policies and estimates are those that involve subjective decisions or assessments and are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. There were no material changes to these critical accounting policies during the three months ended March 31, 2013.

Recent Accounting Pronouncements

See Note B – New Accounting Pronouncements to the Company's Condensed Consolidated Financial Statements included under Part I – Item 1 of this report.

Results of Operations

Demand for the Company's temporary and permanent placement staffing services and risk consulting and internal audit services is largely dependent upon general economic and labor market conditions both domestically and abroad. Because of the inherent difficulty in predicting economic trends and the absence of material long-term contracts in any of our business units, future demand for the Company's services cannot be forecasted with certainty. We expect total Company results to continue to be impacted by general macroeconomic conditions in 2013.

The Company's temporary and permanent placement staffing services business has 346 offices in 42 states, the District of Columbia and 19 foreign countries, while Protiviti has 60 offices in 23 states and 12 foreign countries.

Non-GAAP Financial Measures

To help readers understand the Company's financial performance, the Company supplements its GAAP financial results with revenue growth rates derived from non-GAAP revenue amounts. Variations in the Company's financial results include the impact of changes in foreign currency exchange rates and billing days. The Company provides same billing days and constant currency revenue growth calculations to remove the impact of these items. These calculations show the year-over-year revenue growth rates for the Company's temporary and consultant staffing and permanent placement staffing segments on both a reported basis and also on a same day, constant-currency basis for global, U.S. and international operations. The Company has provided this data because management believes it better reflects the Company's actual revenue growth rates and aids in evaluating revenue trends over time. The Company expresses year-over-year revenue changes as calculated percentages using the same number of billing days and constant currency exchange rates.

In order to calculate constant currency revenue growth rates, as reported amounts are retranslated using foreign currency exchange rates from the prior year's comparable period. Management calculates a global, weighted-average number of billing days for each reporting period based upon input from all countries and all staffing lines of business. In order to remove the fluctuations caused by comparable periods having different billing days, the Company calculates same billing day revenue growth rates by dividing each comparative period's reported revenues by the calculated number of billing days for that period, to arrive at a per billing day amount. Same billing day growth rates are then calculated based upon the per billing day amounts. The term same billing days and constant currency means that the impact of different billing days has been removed from the constant currency calculation.

The non-GAAP financial measures provided herein may not provide information that is directly comparable to that provided by other companies in the Company's industry, as other companies may calculate such financial results differently. The Company's non-GAAP financial measures are not measurements of financial performance under GAAP, and should not be considered as alternatives to actual revenue growth derived from revenue amounts presented in accordance with GAAP. The Company does not consider these non-GAAP financial measures to be a substitute for, or superior to, the information provided by GAAP financial results. A reconciliation of the same-day, constant-currency revenue growth rates to the reported revenue growth rates is provided herein.

Three months ended March 31, 2013 and 2012

Revenues. The Company's revenues were \$1.0 billion for both the three months ended March 31, 2013 and 2012. Revenues from foreign operations represented 25% of total revenues for the three months ended March 31, 2013, compared to 28% for the three months ended March 31, 2012. The Company analyzes its revenues for three reportable segments: temporary and consultant staffing, permanent placement staffing, and risk consulting and internal audit services. For the three months ended March 31, 2013, revenues for the Company's temporary and consultant staffing segment was down compared to the same period in 2012. Revenues for the Company's risk consulting and internal audit and permanent placement staffing segments were up for the three months ended March 31, 2013 compared to the same period in 2012. Results were strongest domestically, with growth rates

outside the United States impacted by weaker economies in several countries, most notably within Europe. Contributing factors for each reportable segment are discussed below in further detail.

Temporary and consultant staffing services revenues were \$824 million for the three months ended March 31, 2013, decreasing by 0.8% compared to revenues of \$830 million for the three months ended March 31, 2012. On a same-day, constant-currency basis, temporary and consultant staffing services revenues increased 1.8% for the first quarter of 2013 compared to the first quarter of 2012. In the U.S., revenues in the first quarter of 2013 increased 2.9%, or 5.5% on a same-day basis, compared to the first quarter of 2012. For the Company's international operations, 2013 first quarter revenues decreased 10.7% and on a same-day, constant-currency basis decreased 8.2%, compared to the first quarter of 2012.

Permanent placement staffing revenues were \$83 million for both the three months ended March 31, 2013 and 2012. On a same-day, constant-currency basis, permanent placement revenues increased 4.0% for the first quarter of 2013 compared to the first quarter of 2012. In the U.S., revenues for the first quarter of 2013 increased 14.9%, or 17.8% on a same-day basis, compared to the first quarter of 2012. For the Company's international operations, revenues for the first quarter of 2013 decreased 16.6%, and on a same-day, constant-currency basis decreased 12.7%, compared to the first quarter of 2012. Historically, demand for permanent placement services is even more sensitive to economic and labor market conditions than demand for temporary and consulting staffing services and this is expected to continue.

A reconciliation of the non-GAAP year-over-year revenue growth rates to the as reported year-over-year revenue growth rates for the three months ended March 31, 2013, is presented in the following table:

	Global	United States	International
Temporary and consultant staffing			
As Reported	-0.8%	2.9%	-10.7%
Billing Days Impact	2.5%	2.6%	2.2%
Currency Impact	0.1%		0.3%
Same Billing Days and Constant Currency	1.8%	5.5%	-8.2%
Permanent placement staffing			
As Reported	0.6%	14.9%	-16.6%
Billing Days Impact	2.6%	2.9%	2.1%
Currency Impact	0.8%		1.8%
Same Billing Days and Constant Currency	4.0%	17.8%	-12.7%

Risk consulting and internal audit services revenues were \$117 million for the three months ended March 31, 2013, increasing by 13.6% compared to revenues of \$103 million for the three months ended March 31, 2012. In the U.S., revenues in the first quarter of 2013 increased 16.6% compared to the first quarter of 2012. Contributing to the U.S. increase was strong demand for consulting solutions including regulatory risk and compliance as well as information technology application controls and security. The Company's risk consulting and internal audit services revenues from international operations increased 4.3% compared to the first quarter of 2012.

Gross Margin. The Company's gross margin dollars were \$410 million for the three months ended March 31, 2013, increasing by 2% compared to \$402 million for the three months ended March 31, 2012. In the first quarter of 2013, gross margin dollars increased for all three of the Company's reportable segments compared to the first quarter of 2012. Gross margin as a percentage of revenues increased for the Company's temporary and consultant staffing services and risk consulting and internal audit services segments on a year-over-year basis. Contributing factors for each reportable segment are discussed below in further detail.

Gross margin dollars from the Company's temporary and consultant staffing services represent revenues less direct costs of services, which consist of payroll, payroll taxes and insurance costs for temporary employees,

and reimbursable expenses. Gross margin dollars for the Company's temporary and consultant staffing services division were \$297 million for the three months ended March 31, 2013, compared to \$295 million for the three months ended March 31, 2012. As a percentage of revenues, gross margin for temporary and consultant staffing services was 36.1% in the first quarter of 2013, up from 35.6% in the first quarter of 2012. The higher temporary and consultant gross margin percentage is due primarily to lower fringe benefit costs and higher pay/bill spreads in the United States. Pay/bill spreads represent the differential between wages paid to temporary employees and amounts billed to clients.

Gross margin dollars from permanent placement staffing services represent revenues less reimbursable expenses. Gross margin dollars for the Company's permanent placement staffing division were \$83 million for both the three months ended March 31, 2013 and 2012. Because reimbursable expenses for permanent placement staffing services are de minimis, gross margin dollars are substantially explained by revenues previously discussed.

Gross margin dollars for risk consulting and internal audit services represent revenues less direct costs of services, which consist primarily of professional staff payroll, payroll taxes, insurance costs and reimbursable expenses. Gross margin dollars for the Company's risk consulting and internal audit division were \$30 million for the three months ended March 31, 2013, increasing by 26% compared to \$24 million for the three months ended March 31, 2012. As a percentage of revenues, gross margin for risk consulting and internal audit services was 25.7% in the first quarter of 2013, up from 23.1% in the first quarter of 2012. The year-over-year margin increase expressed as a percentage of revenues is primarily due to an increase in staff utilization levels.

Selling, General and Administrative Expenses. The Company's selling, general and administrative expenses were \$321 million for the three months ended March 31, 2013, decreasing slightly compared to \$322 million for the three months ended March 31, 2012. As a percentage of revenues, the Company's selling, general and administrative expenses were 31.3% for the first quarter of 2013, down from 31.7% for the first quarter of 2012. Contributing factors related to each reportable segment are discussed below in further detail.

Selling, general and administrative expenses for the Company's temporary and consultant staffing services division were \$224 million for the three months ended March 31, 2013, down 1% from \$226 million for the three months ended March 31, 2012. As a percentage of revenues, selling, general and administrative expenses for temporary and consultant staffing services were 27.2% in the first quarter of 2013, down from 27.3% in the first quarter of 2012. For the first quarter of 2013 compared to the first quarter of 2012, decreases in variable overhead, administrative compensation and fixed overhead, partially offset by an increase in field compensation, drove the overall decrease as a percentage of revenues.

Selling, general and administrative expenses for the Company's permanent placement staffing division were \$71 million for the three months ended March 31, 2013, increasing by 2% compared to \$70 million for the three months ended March 31, 2012. As a percentage of revenues, selling, general and administrative expenses for permanent placement staffing services were 84.9% in the first quarter of 2013, up from 83.9% in the first quarter of 2012. For the first quarter of 2013 compared to the first quarter of 2012, an increase in field compensation drove the overall increase as a percentage of revenues.

Selling, general and administrative expenses for the Company's risk consulting and internal audit services division were \$26 million for both the three months ended March 31, 2013 and 2012. As a percentage of revenues, selling, general and administrative expenses for risk consulting and internal audit services were 22.5% in the first quarter of 2013, down from 25.4% in the first quarter of 2012. For the first quarter of 2013 compared to the first quarter of 2012, the decrease in selling, general and administrative expenses as a percentage of revenue is primarily due to higher operating leverage obtained by higher revenues.

Operating Income. The Company's total operating income was \$90 million, or 8.7% of revenues, for the three months ended March 31, 2013, increasing by 12% from \$80 million, or 7.9% of revenues, for the three months ended March 31, 2012. For the Company's temporary and consultant staffing services division, operating income was \$73 million, or 8.9% of applicable revenues, up from \$69 million, or 8.3% of applicable revenues, in the first quarter of 2012. For the Company's permanent placement staffing division, operating income was \$13 million, or 15.1% of applicable revenues, down from an operating income of \$13 million, or 16.0% of applicable revenues, in the first quarter of 2012. For the Company's risk consulting and internal audit services division, operating income was \$4 million, or 3.2% of applicable revenues, up from an operating loss of \$2 million, or negative 2.3% of applicable revenues, in the first quarter of 2012.

Provision for income taxes. The provision for income taxes was 37% and 40%, as a percentage of income before income taxes, for the three months ended March 31, 2013 and 2012, respectively. The lower tax rate is primarily due to non-U.S. legal entity restructuring.

Liquidity and Capital Resources

The change in the Company's liquidity during the three months ended March 31, 2013 and 2012 is primarily the net effect of funds generated by operations and the funds used for capital expenditures, repurchases of common stock and payment of dividends.

Cash and cash equivalents were \$225 million and \$244 million at March 31, 2013 and 2012, respectively. Operating activities provided \$28 million during the three months ended March 31, 2013, which was more than offset by \$38 million and \$49 million of net cash used in investing activities and financing activities, respectively. Operating activities provided \$23 million during the three months ended March 31, 2012, which was more than offset by \$12 million and \$49 million of net cash used in investing activities and financing activities, respectively.

Operating activities Net cash provided by operating activities for the three months ended March 31, 2013, was composed of net income of \$56 million, adjusted for non-cash items of \$18 million, and offset by changes in working capital of \$46 million. Net cash provided by operating activities for the three months ended March 31, 2012, was comprised of net income of \$48 million, adjusted for non-cash items of \$20 million, and offset by changes in working capital of \$45 million.

Investing activities Net cash used in investing activities for the three months ended March 31, 2013, was \$38 million. This was composed of capital expenditures of \$8 million and deposits to trusts for employee benefits and retirement plans of \$30 million. Net cash used in investing activities for the three months ended March 31, 2012, was \$12 million. This was comprised of capital expenditures of \$10 million and deposits to trusts for employee benefits and retirement plans of \$2 million.

Financing activities Net cash used in financing activities for the three months ended March 31, 2013, was \$49 million. This included repurchases of \$46 million in common stock, \$22 million in cash dividends to stockholders and \$2 million in notes payable and other indebtedness, offset by proceeds of \$20 million from exercises of stock options and \$1 million in excess tax benefits from stock-based compensation. Net cash used in financing activities for the three months ended March 31, 2012, was \$49 million. This included repurchases of \$56 million in common stock and \$21 million in cash dividends to stockholders, offset by proceeds of \$26 million from exercises of stock options and \$2 million in excess tax benefits from stock-based compensation.

As of March 31, 2013 the Company is authorized to repurchase, from time to time, up to 10.6 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. During the three months ended March 31, 2013 and 2012, the Company repurchased 0.8 million shares and 1.0 million shares of common stock on the open market for a total cost of \$30 million and \$29 million, respectively. Additional stock repurchases were made in connection with employee

stock plans, whereby Company shares were tendered by employees for the payment of exercise price and applicable statutory withholding taxes. During the three months ended March 31, 2013 and 2012, such repurchases totaled 0.5 million shares, at a cost of \$16 million, and 1.0 million shares, at a cost of \$27 million, respectively. Repurchases of shares have been funded with cash generated from operations.

The Company's working capital March 31, 2013, included \$225 million in cash and cash equivalents. The Company expects that internally generated cash will be sufficient to support the working capital needs of the Company, the Company's fixed payments, dividends, and other obligations on both a short- and long-term basis.

On May 2, 2013, the Company announced a quarterly dividend of \$.16 per share to be paid to all shareholders of record as of May 24, 2013. The dividend will be paid on June 14, 2013.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of foreign currency fluctuations. The Company's exposure to foreign currency exchange rates relates primarily to the Company's foreign subsidiaries. Exchange rates impact the U.S. dollar value of the Company's reported earnings, investments in its foreign subsidiaries, and the intercompany transactions with its foreign subsidiaries.

For the three months ended March 31, 2013, approximately 25% of the Company's revenues were generated outside of the U.S. These operations transact business in their functional currency. As a result, fluctuations in the value of foreign currencies against the U.S. dollar, particularly the Canadian dollar, British pound, and Euro, have an impact on the Company's reported results. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Consequently, as the value of the U.S. dollar changes relative to the currencies of the Company's non-U.S. markets, the Company's reported results vary.

Fluctuations in currency exchange rates impact the U.S. dollar amount of the Company's stockholders' equity. The assets and liabilities of the Company's non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at period end. The resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income.

ITEM 4. Controls and Procedures

Management, including the Company's Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal controls over financial reporting identified in connection with the evaluation required by Rule 13a-15 of the Securities Exchange Act of 1934 that occurred during the Company's last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

On April 19, 2013, Plaintiff Vincent Uberti, on his own behalf and on behalf of a putative class of allegedly similarly situated individuals, filed a complaint in the Orange County Superior Court of the State of California, naming the Company (as well other defendants). With respect to the Company, the complaint alleges that a putative class of current and former employees of the Company working in California were denied compensation for the time they spent interviewing with current and potential clients of the Company, over an alleged Class Period covering four years prior to the filing of the complaint. Uberti seeks recovery on his own behalf and on behalf of the putative class in an unspecified amount for this allegedly unpaid compensation. Uberti also seeks recovery of an unspecified amount for the alleged failure of the Company to provide him and the putative class with accurate wage statements. Uberti also seeks recovery of an unspecified amount for statutory penalties, attorney's fees and other damages. 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 vigorously defend against the litigation.

There have been no material developments with regard to the legal proceedings previously disclosed in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2012.

ITEM 1A. Risk Factors

There have not been any material changes with regard to the risk factors previously disclosed in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2012.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 (d)
January 1, 2013 to January 31, 2013	422,936(a)	\$ 35.12		11,396,291
February 1, 2013 to February 28, 2013	233,072(b)	\$ 35.03	203,900	11,192,391
March 1, 2013 to March 31, 2013	633,063(c)	\$ 35.79	632,410	10,559,981
Total January 1, 2013 to March 31, 2013	1,289,071		836,310	

- (a) Represents 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.
- (b) Includes 29,172 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.
- (c) Includes 653 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.
- (d) 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 transaction depending on market conditions. Since plan inception, a total of 98,000,000 shares have been authorized for repurchase of which 87,440,019 shares have been repurchased as of March 31, 2013.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosure

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

- 3.1 Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009.
- 3.2 By-Laws, incorporated by reference to Exhibit 3.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
- 10.1 Stock Incentive Plan Form of Restricted Share Agreement for Executive Officers.
- 31.1 Rule 13a-14(a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14(a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certification of Chief Executive Officer.
- 32.2 Section 1350 Certification of Chief Financial Officer.
- 101.1 Part I, Item 1 of this Form 10-Q formatted in XBRL.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROBERT HALF INTERNATIONAL INC.

(Registrant)

/s/ M. KEITH WADDELL
M. Keith Waddell

Vice Chairman, President and Chief Financial Officer

(Principal Financial Officer and

duly authorized signatory)

Date: May 6, 2013