

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Resources Connection, Inc. (RECN)



KATE DUCHENE is the Chief Legal Officer and Executive Vice President of Resources Global Professionals, the operating subsidiary of Resources Connection, Inc. Since joining RGP in 1999, she has helped build and oversee the firm's infrastructure, processes and talent base, as well as manage and enable the company's continued growth and profitability. Under her executive leadership, RGP has continued to thrive since going public in December 2000, and has expanded its operations to service an impressive and diverse client base. In 2012, Ms. Duchene took on oversight of RGP Legal, the division of RGP focused on delivering agile, project-based legal resources to general counsel and their legal departments. Previously, Ms. Duchene practiced law for nine years with O'Melveny & Myers LLP, a Los Angeles, California, law firm where she specialized in labor and employment matters, most recently as a special counsel. She received her J.D., Cum Laude, from New York University; and her B.A. in political science from Stanford

University. In 2010, Ms. Duchene was recognized as "Outstanding General Counsel" by the *Orange County Business Journal*, and named to *OC METRO* magazine's "Hot 25" list of top business professionals in Orange County, California. Ms. Duchene also serves on the board of directors of Human Options, an organization that assists victims of domestic violence, and is involved with National Charity League, a nonprofit focused on mothers and daughters.

SECTOR — BUSINESS SERVICES

TWST: Let's start with a brief company history and an overview of the business today to introduce us to Resources Global.

Ms. Duchene: RGP is a global consulting firm. We're focused on project-based work with our clients where they need agile, highly skilled and flexible resources to accomplish projects or initiatives created by change. Our heritage is out of Deloitte & Touche, and we started with a focus on financing and accounting, but now we are a multidisciplinary firm undertaking assignments across six practice areas. Accounting and finance is at our core, but we also work in the area of information technology, risk management and governance, supply chain management, legal and regulatory, and human capital, which for us in today's environment involves a lot of change management work.

TWST: How would you describe your client base, and are there particular types of clients or industry verticals that are especially strong or growing today?

Ms. Duchene: Our client base has traditionally been the Fortune 1000. We are particularly strong in financial services, especially as clients are having to deal with regulatory and compliance issues arising from Dodd-Frank.

Health care is another area of focus for us, and we have developed a proprietary software product called Pavissee to address patient safety from an enterprise standpoint. We are strong in

utilities and energy, as well as technology, especially in Silicon Valley and the Bay Area, where our presence is accelerating. Our practice there is primarily focused on project management and change management in the technology sector.

TWST: Where do you have operations?

Ms. Duchene: We started as a U.S.-based practice, but over the past 14 years about a third of our business is international. We have a strong footprint in Europe and the Asia Pacific region. We have a practice in Mexico, and we serve a number of Latin America clients out of both our Mexico practice and southern Florida. We have about 70 offices globally. Approximately 50 of those are in the U.S., and the remaining 21 are in both Europe and Asia Pacific. Specifically, we are in the major markets in Europe, and we have practices in Japan, Korea, Australia, China, including Hong Kong, in the Asia Pacific region, and we've just opened an office in the Philippines to work for one of our Fortune 100 companies.

We have a global perspective, and one of the distinctions, I think, of our business model is that we are able to execute globally for a client, compared to a more traditional consulting model in which the firms are not integrated as a global platform with the same leadership and the same organizational structure. We have a fully integrated global platform, so we can serve global clients with a single client service team and help them execute, normally, with local talent to work on the project.

TWST: You mentioned Dodd-Frank driving demand in financial services. Are there any other particular trends that you are seeing among your clients that are driving demand for your services, or perhaps changing the nature of what they are looking for help with?

Ms. Duchene: Certainly another area is health care, which is undergoing unprecedented change and uncertainty in reaction to the passage of the Affordable Care Act. We are experiencing a surge in demand as health care institutions, both providers and payers, are struggling with regulatory change driven by the Affordable Care Act. We're active on a number of fronts, so that's certainly an area of increasing importance and opportunity for us.

The recent increase in M&A activity has broadly driven a need for our services where we are able to help our clients unbundle pieces of work flow that traditionally would have gone

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to traditional outside counsel. Now, in-house legal departments understand that there are pieces of that work that they can and should send to their traditional outside counsel, but there are also pieces of work that can be handled more efficiently and effectively, at far less cost, by teaming with a provider like RGP Legal. We assist the in-house team to accomplish some of that deal-related work flow, and that's the concept of unbundling pieces of work and finding the most capable provider to do that component of the work flow that they do best.

While there can be substantial cost savings, the real benefit is improved quality and efficiency, because the RGP team members assigned to the project, say, the due diligence piece, are experienced professionals who have also worked inside business as business lawyers. So instead of — in the traditional model — getting a first, second or third year associate that might be looking at a document for the first time, our team members have had years of experience having looked at similar documents, legal and otherwise, both from an in-house perspective and an outside counsel perspective, and are much more efficient and effective in spotting potential issues and getting through that kind of work flow.

TWST: How is the overall economic environment and labor market impacting your business and revenues?

Ms. Duchene: Within the past six months we have seen clients extend projects and initiate projects proactively. That is something that we didn't see during the recession, certainly, so the marketplace feels like it's more energetic right now. We just reported our earnings last week for our second quarter of fiscal 2014, and we are seeing strengths on the East Coast of the U.S. and the West Coast. There is a lot of energy in our markets on the two coasts. Our largest practice on the East Coast is our tristate region, and that's driven by the financial services and regulatory work that's coming out of that marketplace.

TWST: What were the highlights from your second-quarter earnings results?

Ms. Duchene: As I said, the strength is on both coasts. We saw growth in the U.S., which we're excited about, and we have started to see some very large transformational-type projects kick off at some of our Fortune 500 clients. For example, we serve one financial services company that's engaged in a very large multiyear finance transformation project, and we are a key player with them in providing project-based support as well as operational support for some of the functions.

TWST: Has the company introduced any new service offerings recently?

Ms. Duchene: RGP Healthcare, our health care services area, is introducing a patient-safety software product. That's new for our company, and we've gone to market with that product, we launched in June of 2013, and that's an exciting initiative for us because it then drives technology-

enabled consulting services for our health care practice broadly. The product is called Pavisse, and it not only generates a report on patient-safety statistics, but it also improves proactively and reactively a client's response to incidents. The proprietary software tool is a very comprehensive enterprise-wide approach to helping health care organizations protect their patients, so we're very excited about that launch.

TWST: I believe there was a data-governance-related offering that was recently launched as well?

Ms. Duchene: In our information technology practice, we are winning important new engagements involving data governance. For example, we are assisting a client in mapping data to comply with new privacy regulations. That kind of project can span the gambit of disciplines, including not only information management and human resources, but also legal and regulatory.

Further, in our supply chain practice, we are doing a lot with clients around conflict-minerals compliance, and we have organized and created what we are calling the Center of Excellence, COE, for Reporting on the country of origin of conflict minerals. Our COE allows companies to comply with the Reasonable Country of Origin Inquiry for conflict minerals — that is, minerals mined from certain areas of the Congo — in an efficient and cost-effective manner.

TWST: Looking forward over the next year or two, are there any specific corporate or strategic goals that the management team has set for the company?

Ms. Duchene: We're very focused on topline growth. We've come through a number of years where companies were struggling with topline growth, so there was a focus on cost cutting and cost containment, and where we were involved in project initiatives, it tended to relate to those kinds of cost-cutting measures. Now we are starting to see more proactive business development, market-driven projects to help companies — and not just ours — increase topline growth. That's exciting.

And then I think in terms of the disciplines that we see driving growth, the IM practice area is certainly one as clients seek to harness data to drive growth. Change management is also a growth opportunity, as I said before. Across any of our disciplines, enterprise-wide change initiatives all have change management components. If we're selling a finance transformation project, accompanying that project is a change management component, or working on an enterprise risk project, for example, a piece of that would involve a change management strategy. So that's an exciting area of practice for us as well.

TWST: Does the company envision most of its growth coming organically, or are acquisitions of interest?

Ms. Duchene: Traditionally we have grown primarily through organic growth. We are always looking at acquisition opportunities and where we might find practices, either geographically or from a discipline perspective that we could add to our core business in a synergistic way. One of the areas we are interested in is forensic and corporate investigations. We think there is opportunity in that arena as the world is driven by more and more regulation and compliance initiatives, and corporate investigations are on the rise broadly. There's a lot of interesting work going on in data analytics. I think that's an area where our IM practice leader is spending time looking. Digital security is an area of interest and certainly seems to be on top executives' minds every day, as we've all read about the Target scandal through the holidays. So those are the ones that come to mind.

TWST: Is there anything else you'd like readers and investors to know about Resources Global?

Ms. Duchene: We have just north of 3,000 employees globally in the company, and on average our professionals have about 15 to 20 years of experience in their substantive disciplines. I lead RGP Legal, our legal and regulatory practice area. What we look for as a critical attribute of one of our consultants is someone who's been well trained in a law firm environment, but also has business experience, so they bring that combination of business acumen and excellent substantive training to bear on our projects. It's an interesting trend in the labor market as the Baby Boomers retire and we are working with Gen X and Gen Y and now the new Millennials. They want to work in a different way, and gone are the days when you'd go to one employer and stay for life. Now people want to work in different ways. They want more control over how and where they work, and our kind of consulting model allows them that flexibility.

I think the main attraction for our consultants is our client base; the branded companies that we're able to work with are very appealing to our consultants, and then it becomes a kind of circle of quality. We work with great companies, great people want to work with those companies, and the folks that we're recruiting internally to drive our business — and by that I mean our business development group and our recruiting group — are all substantive professionals in their own right in their fields. And so that just generates that circle of quality that we keep running.

I think the critical trend that we see in the marketplace now is the need for agility, and our business model fits perfectly with that theme of agility and finding the right trained talent for the need you have. A lot of companies are deciding, "We don't need a huge bench of talent in X area. We need some really strong managers in that area, but then is there a more agile way to tap into highly skilled resources to accomplish the initiative?" And that's where our business model fits really well, with the trend of agility that we're seeing in the marketplace now. And certainly there is hesitation to commit to a large permanent headcount, just to go through the kind of reductions that most companies had to face in the recession, which is always a painful process.

We continue to believe that agility is going to be a key factor in the future, which provides us with a growing pool of potential professionals. We can offer companies an efficient and cost-effective alternative to having to train junior-level staff by enabling these companies to tap into highly skilled professional and experienced folks who can come in and become immediately productive. The last thing you want as a buyer of consulting or project services is to spend your first week paying for someone who is learning on the job. You want someone to come in and understand your language and your business challenge and to help you immediately, both structure and execute the solution, and that's the kind of professional talent we can bring to bear for our clients.

TWST: Thank you. (MN)

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