



HRnetGroup

2019 Results Announcement
27 February 2020

A dense, stylized illustration of a diverse crowd of people, rendered in a flat, cartoonish style. The figures are packed closely together, filling the entire background. They exhibit a wide range of ethnicities, ages, and styles, including men and women with various hairstyles, beards, and clothing like hats, ties, and casual wear. The overall color palette is muted, with a lot of greys, browns, and soft blues, giving it a textured, layered appearance.

Disclaimer

This presentation is based on the information we obtained or on the certain assumptions that we understand to be reasonable. However, this is not for the Company to represent or imply and guarantee to the accuracy of completeness of the contents. Further, statement in this presentation may contain forward-looking information that could be impacted by various risks and uncertainties, and that may significantly affect expected results. Therefore, it is to be noted not to entirely rely on forward-looking information.

It should also be noted that this presentation or any statement herein is not allowed to make copy or transfer without our written consent in prior.

Snapshot of FY19 Results



Top Lines

Revenue

S\$423.1m

↓ 1.3%

(FY2018: S\$428.5m)

Gross Profit

S\$145.6m

↓ 6.3%

(FY2018: S\$155.3m)



Profitability

NPAT

S\$55.8m

↑ 6.4%

(FY2018: S\$52.4m)

PATMI

S\$51.6m

↑ 7.1%

(FY2018: S\$48.2m)

Efficiency Ratio

(EBITDA/GP)

45.0%

↑ 4.6% points

(FY2018: 40.4%)



Business Volume

Contractor Employees

11,929

↓ 183 (1.5%)

(FY2018: 12,112)

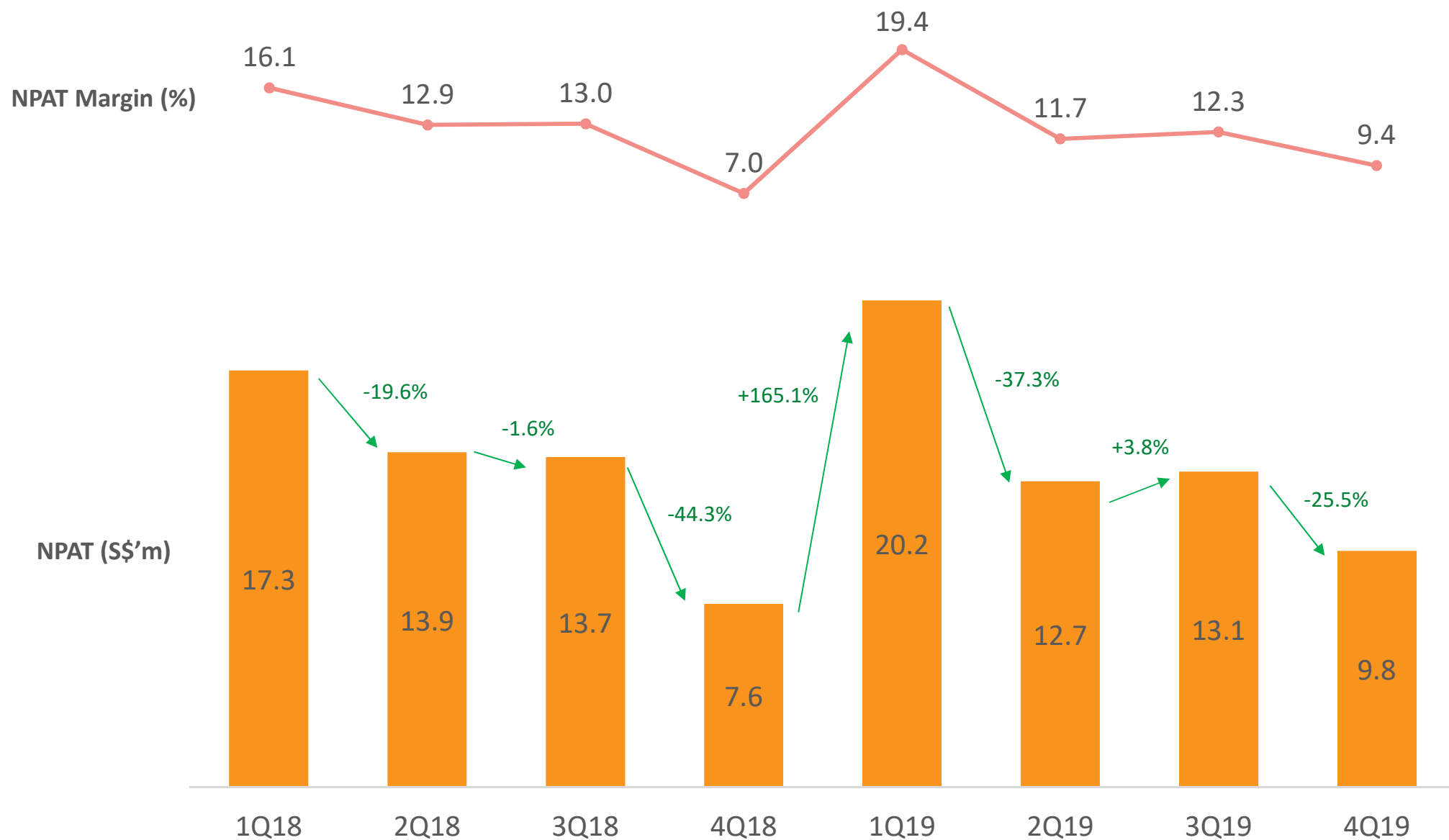
Placements

8,530

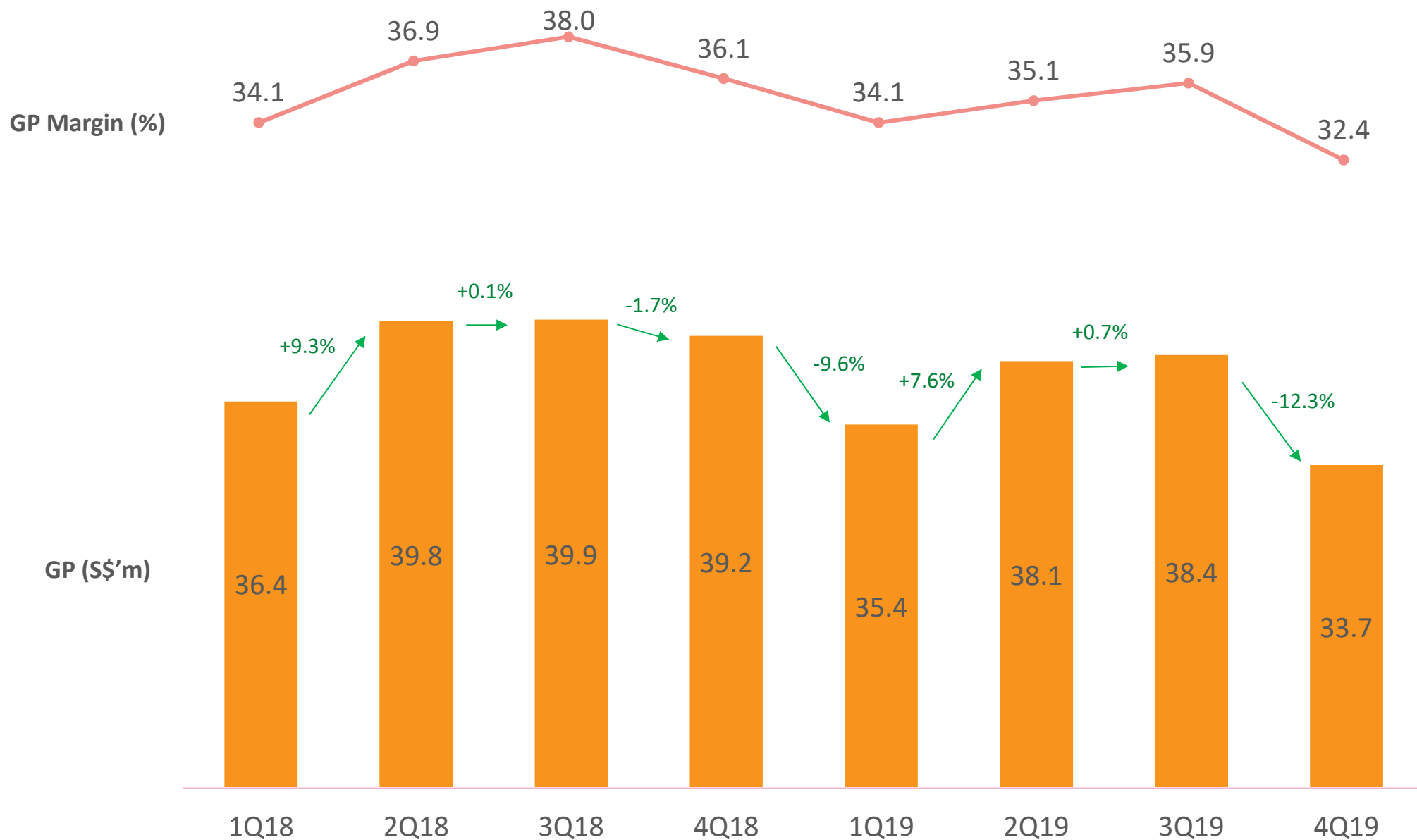
↓ 918 (9.7%)

(FY2018: 9,448)

Respectable Profitability and NPAT Margin

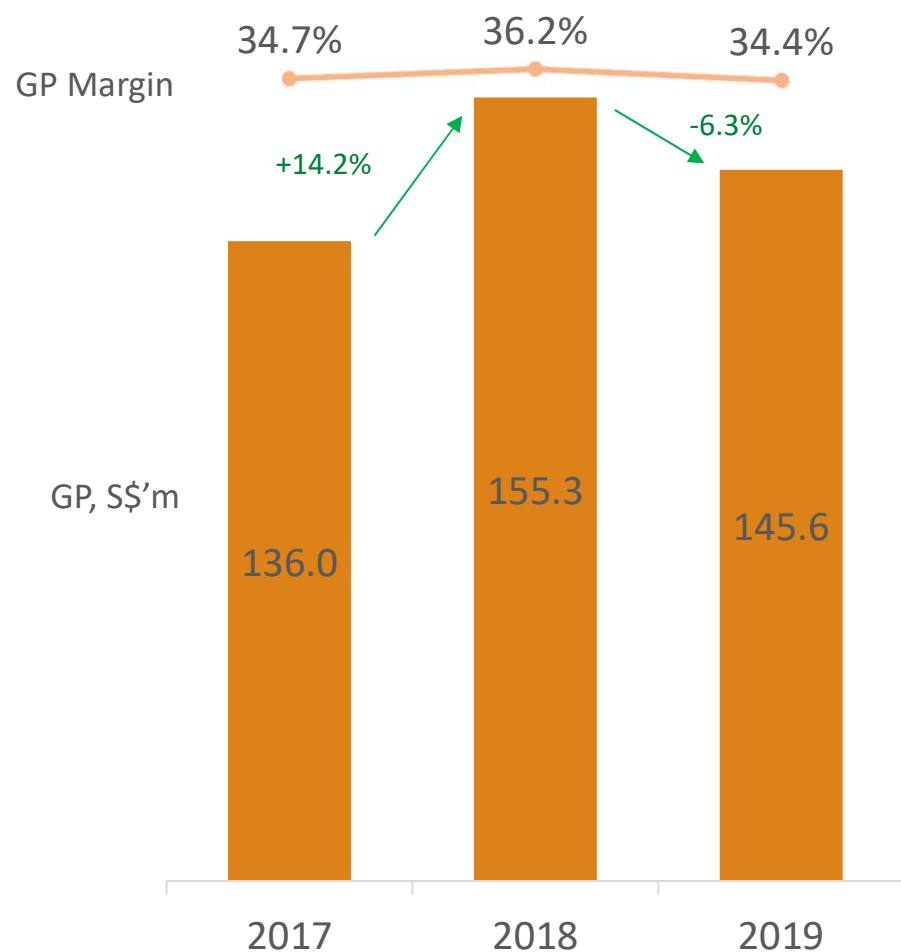


Shifts in GP Margins reflecting changes in Business Mix

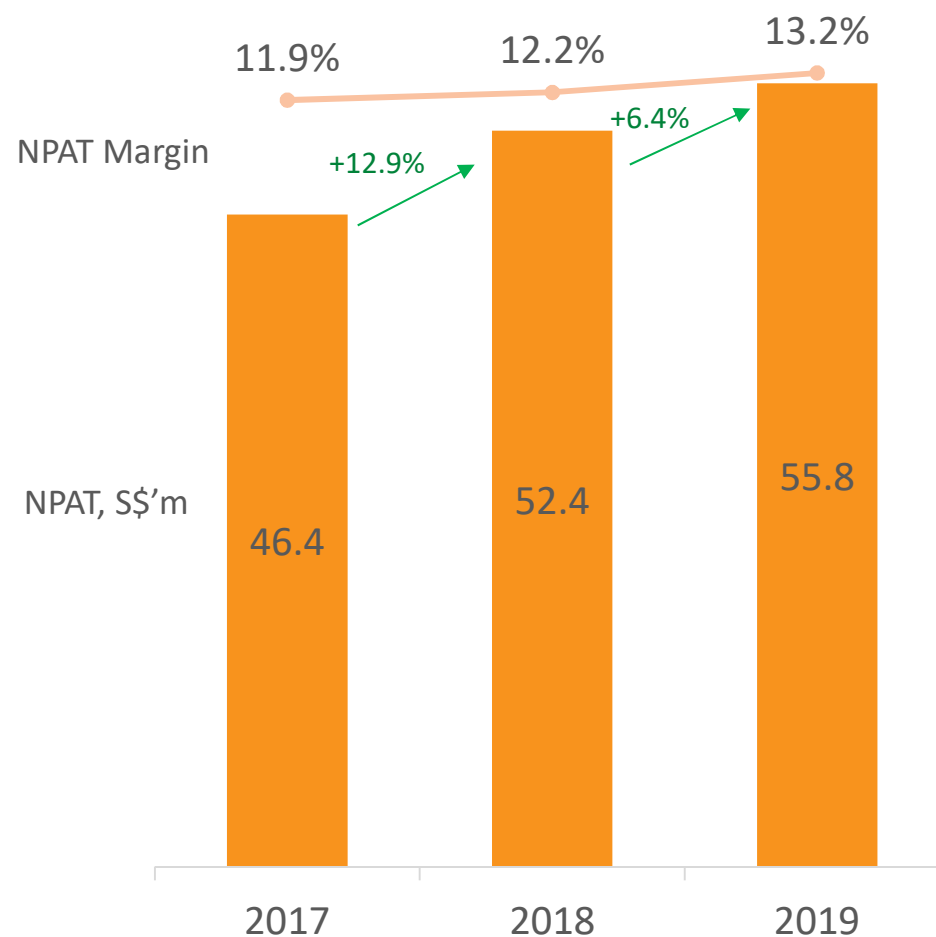


Resilient Topline and Healthy Profits despite Market Uncertainties

Gross Profit & GP Margin



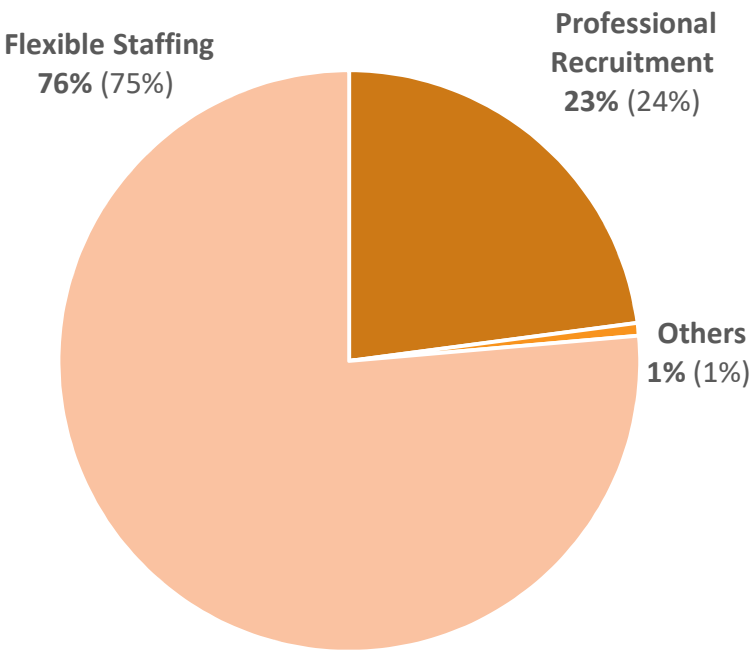
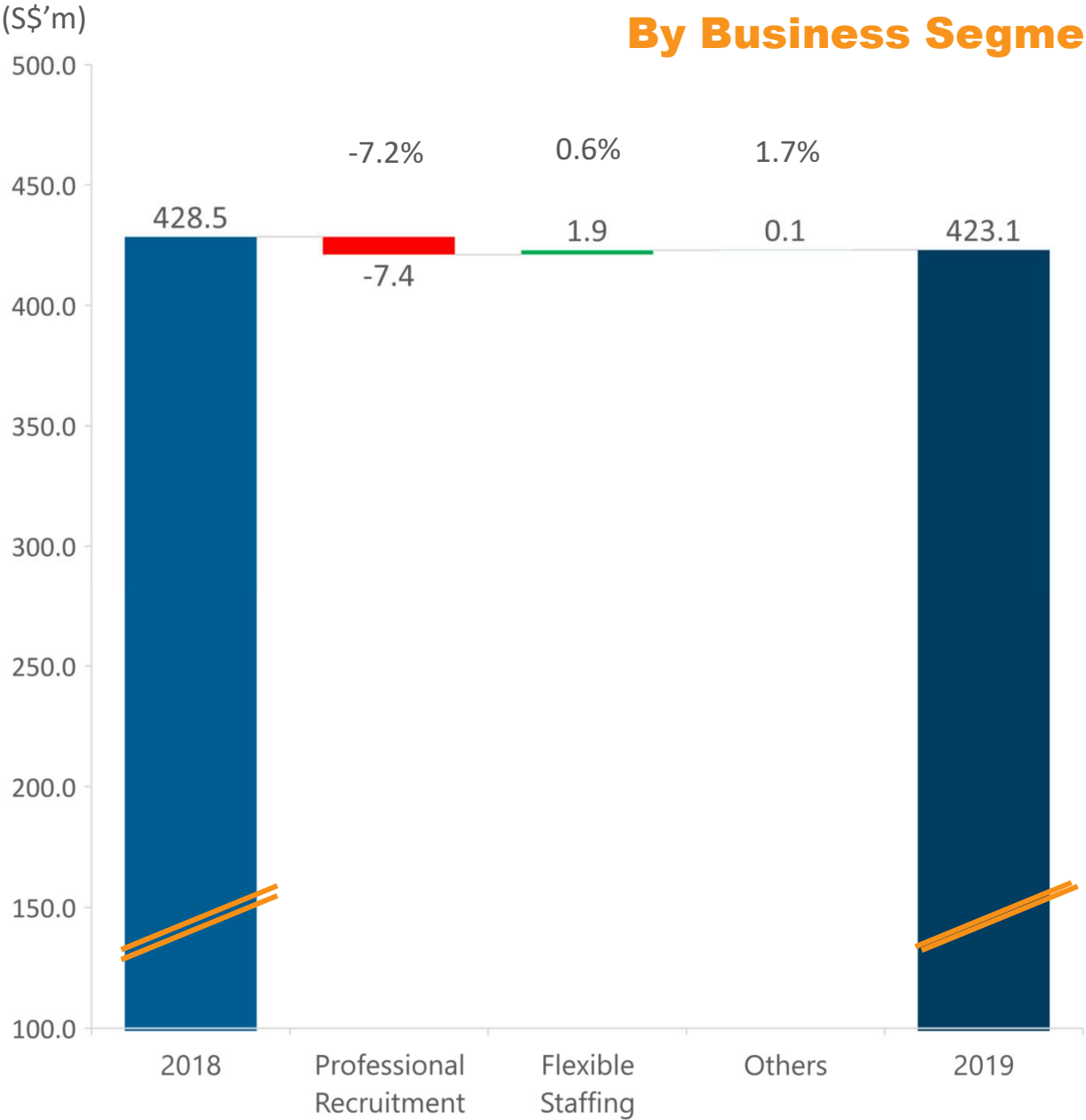
NPAT & NPAT Margin



Snapshot of Financial Performance

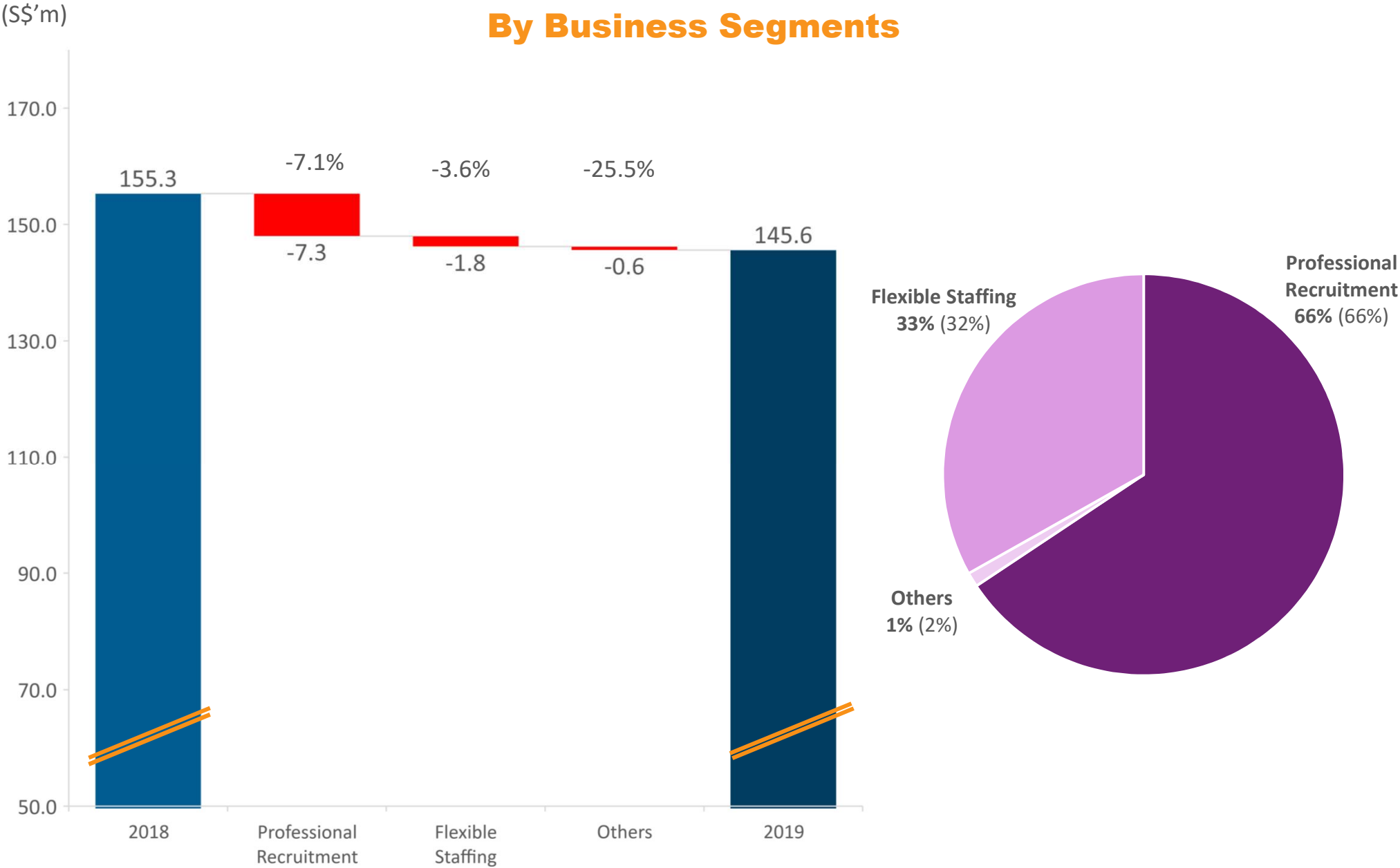
	4Q19	4Q18	Change	2019	2018	Change
	S\$'m	S\$'m	%	S\$'m	S\$'m	%
PROFIT & LOSS						
Revenue	103.9	108.5	(4.3)	423.1	428.5	(1.3)
Gross profit ("GP")	33.7	39.2	(14.1)	145.6	155.3	(6.3)
Other income						
Government subsidies	-	-	n.m.	4.6	5.6	(18.2)
Others	2.3	(3.5)	>100	13.1	1.2	>100
Expenses						
Employee benefit expenses	(17.5)	(18.2)	(4.1)	(73.6)	(76.9)	(4.2)
Facilities and depreciation expenses	(3.1)	(3.0)	3.8	(12.1)	(11.1)	9.0
Selling expenses	(1.3)	(2.6)	(49.0)	(4.7)	(5.6)	(16.6)
Other expenses	(1.2)	(1.0)	21.4	(4.2)	(3.4)	24.4
Finance costs ¹	(0.1)	-	n.m.	(0.3)	-	n.m.
Profit before tax	12.8	10.9	16.9	68.4	65.1	4.9
Income tax	(3.0)	(3.3)	(10.1)	(12.6)	(12.7)	(1.2)
Profit for the year ("NPAT")	9.8	7.6	28.6	55.8	52.4	6.4
PATMI	8.8	6.3	40.1	51.6	48.2	7.1
EBITDA	12.2	10.1	20.4	65.4	62.7	4.4
KEY FINANCIAL RATIOS						
Earnings per share (EPS) (cents)						
Basic	1.19	1.25		5.13	4.77	
Diluted	1.19	1.25		5.11	4.76	
Conversion Ratio (%) (EBIT / GP)	35.2	25.1		44.0	39.7	

Revenue for the Year



(% in brackets denotes 2018 figures)

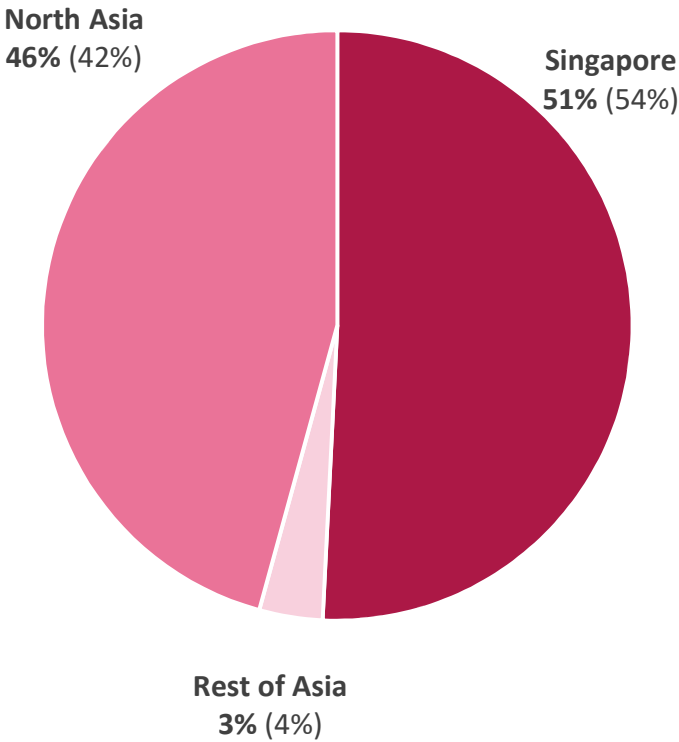
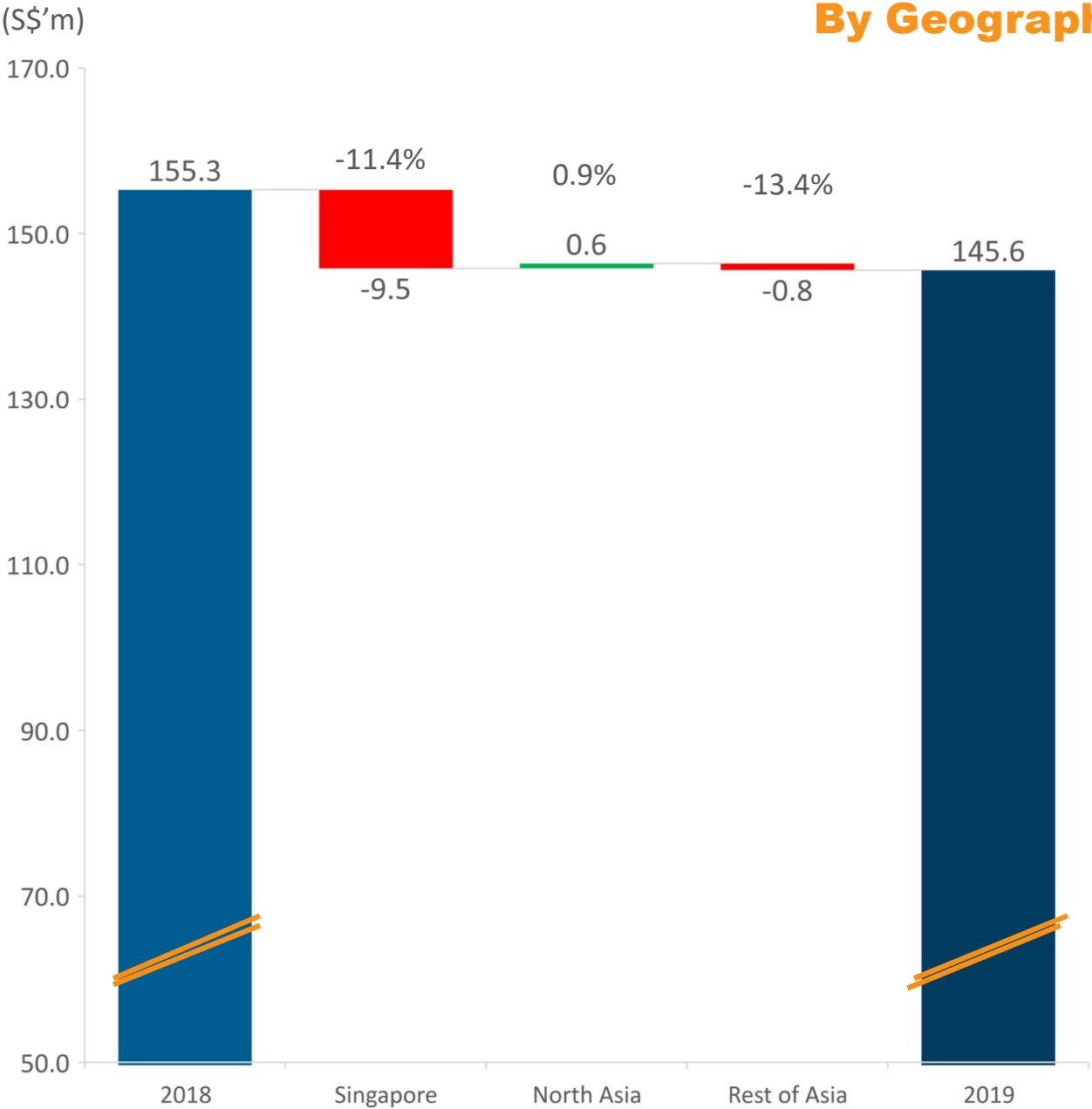
Gross Profit for the Year



(% in brackets denotes 2018 figures)

Gross Profit for the Year

By Geography



(% in brackets denotes 2018 figures)

Strong Balance Sheet for Expansion

	31 Dec 2019 S\$'m	31 Dec 2018 S\$'m	Change S\$'m
Cash	266.2	281.8	(15.6)
Trade Receivables	74.7	81.3	(6.6)
Other Financial Assets	47.3	28.3	19.0
Right-of-use Assets ¹	14.1	-	14.1
Goodwill & Other Intangible Assets	6.7	6.8	(0.1)
Other Assets	10.3	9.1	1.2
Total Assets	419.3	407.3	12.0
Debt	-	-	-
Trade and Other Payables	45.1	45.8	(0.7)
Deferred Considerations	3.0	5.2	(2.2)
Lease Liabilities ¹	14.3	-	14.3
Tax Payable and Deferred Tax Liabilities	10.3	11.1	(0.8)
Total Equity	346.6	345.2	1.4
Total Liabilities & Equity	419.3	407.3	12.0
NAV	332.0	333.3	(1.3)
NAV per share (cents)			
<i>Basic</i>	33.0	33.0	
<i>Diluted</i>	32.9	32.9	
NTA	325.3	326.5	(1.2)
NTA per share (cents)			
<i>Basic</i>	32.3	32.5	
<i>Diluted</i>	32.2	32.2	
Receivables Turnover (Days)	64	69	

1. Relates to long-term office leases commitments.

Singapore Government Subsidies

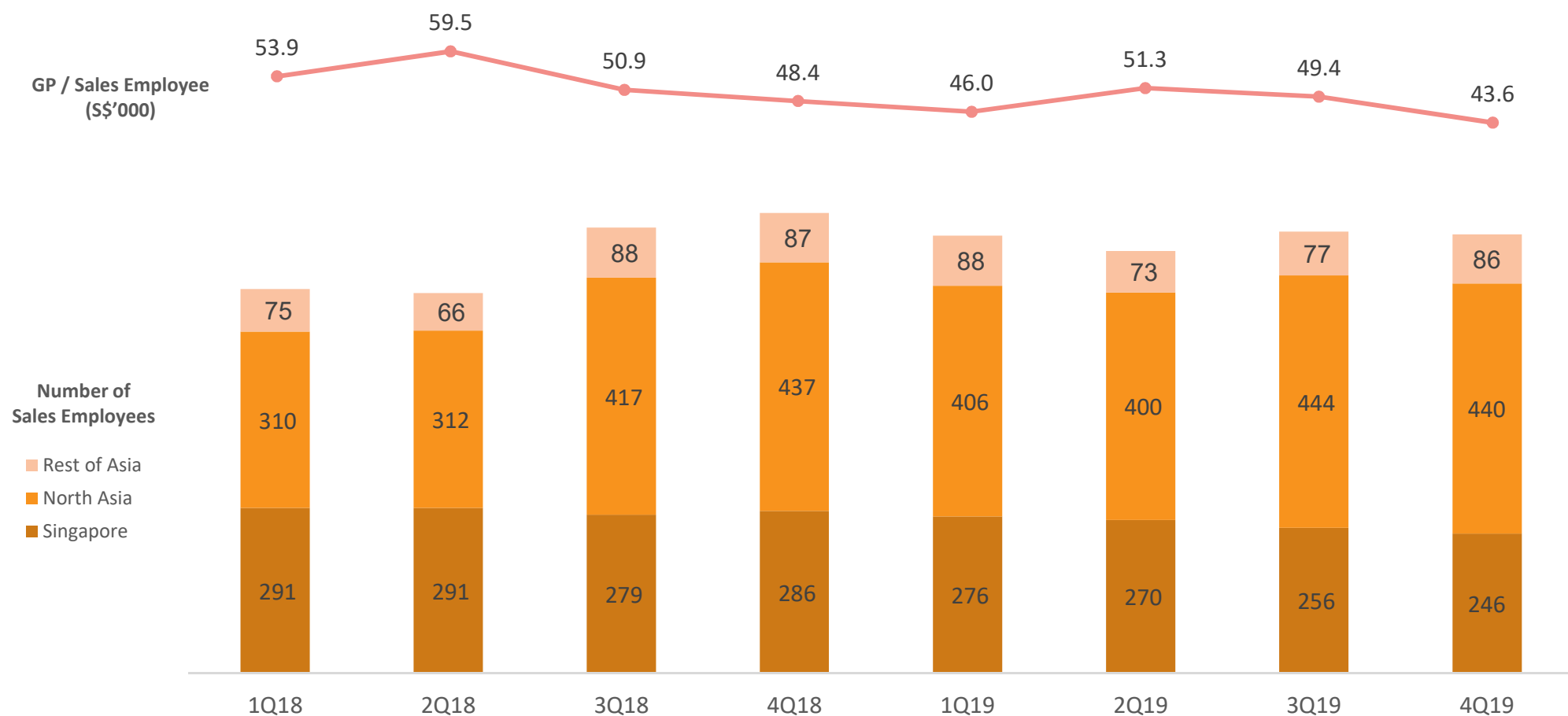


Wage Credit Scheme (WCS)

Based on Singapore Budget on 18 February 2020, Government co-funding for 2019 shall be maintained at 20%, to be received in 2020. For 2020, the co-funding ratio will be stepped down to 15%, to be received in 2021. The qualifying gross wage ceiling will also be raised to \$5,000 for both years, up from the current \$4,000.

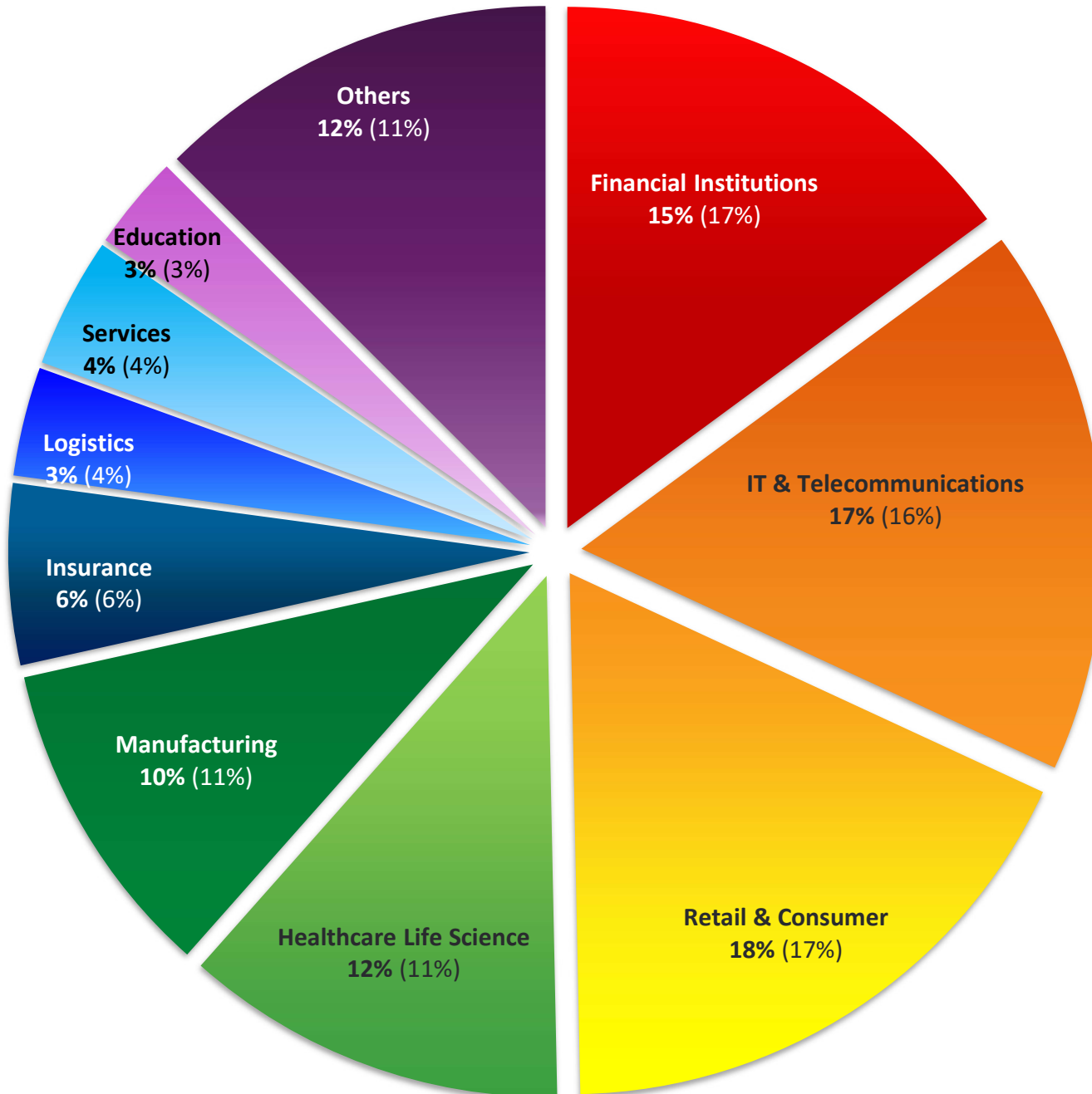
S\$'m	Q1	Q2	Q3	Q4
2017	WCS & SEC 4.5	TEC 0.9	SEC 0.1	TEC 0.5
2018	WCS & SEC 5.0	TEC 0.5	SEC 0.1	No more payout
2019	WCS & SEC 4.5	No more payout	SEC 0.1	No more payout
2020	To receive	-	To receive	-
2021	To receive	-	No more payout	-

Productive Workforce



PHC (#)	473	505	561	529	475	511	513	454
% PHC	70	75	72	65	62	69	66	59
Singapore	77	83	81	76	74	77	79	75
North Asia	68	70	67	61	57	65	61	53
Rest of Asia	49	67	65	53	48	60	56	40
% Sales Employees	85	85	85	86	85	84	85	84

Revenue by Sector for FY19



(% in brackets denotes FY18 figures)

Highly Diversified Base of Customers

Our **Top 5** customers have been with us for an average of **17** years

	Customer since	FY19 Revenue Contribution
Asian Conglomerate One of the top 3 largest technology companies globally by revenue, Fortune 100	1999	3.6%
Singapore Bank One of the top 3 largest banks in ASEAN by assets	2000	3.4%
Singapore-Headquartered Technology Platform Leading technology player in SEA, with presence in 8 countries, over 500 cities and towns	2014	2.9%
Regional Telco One of the top 3 largest telcos in Asia by total wireless subscribers, Fortune 500	2000	2.2%
European Bank One of the top 10 largest bank globally by total assets, Fortune 500	2000	2.1%
Contribution from Top 5 clients		14.2%
Contribution from Top 10 clients		20.3%

Balance Sheet Management

KEY OBJECTIVE

To maintain a strong balance sheet which allows the Group to ride through cycles and sustain the ability to make opportunistic acquisitions



CASHFLOW PRIORITIES

- Maintain healthy level of working capital, particularly to support the staffing business
- To support organic and inorganic expansion
- To deliver sustainable and appropriate core dividends

Cash Requirements	Approximate Amount (S\$'m)
Working capital reserve	100
Committed consideration for M&A and strategic investments	3
Earmarked for investment & expansion plans in the pipeline	12
	115

Balance Sheet Management

IPO PROCEEDS of S\$174m

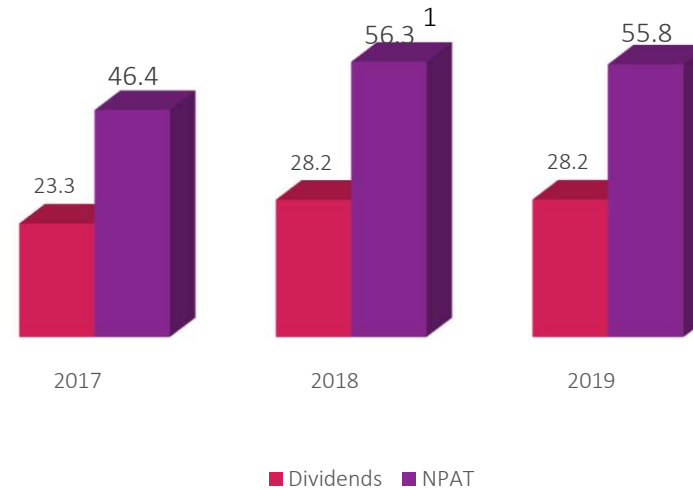
Breakdown of Utilisation

Items	Amount (S\$m)	Percentage of IPO Proceeds
IPO & Professional Fees Expenses	9.1	5%
Investments in Strategic Entities	34.9	20%
Investments in Staffline (FVTOCI)	55.5	32%
Investments in Bamboos (FVTOCI)	7.9	5%
Investments in Organic Subsidiaries	6.5	4%
Paid Consideration for Acquisitions	4.0	2%
Earmarked for Investment & Expansion Plans in the Pipeline	14.7	8%
Total Utilised & Earmarked	132.6	76%

CORE DIVIDEND PRACTICE

To maintain a 50% payout ratio

S\$'m



1. Based on Normalised NPAT which excludes unrealised loss on revaluation of other financial assets.

Rationale for Shares Repurchase



- One of the capital management tools to enhance shareholder value
- Treasury shares are used for shares incentive plans and/or M&A considerations

Number of Treasury Shares	2018	2019
Opening balance	-	5.6m
Shares repurchased	7.6m (S\$6.6m)	0.5m (S\$0.3m)
Reissued mainly in pursuant to bonus shares vested for 123GROW plans	2.0m (S\$1.7m)	1.8m (S\$1.6m)
Closing balance	5.6m	4.3m

- Treasury shares sufficient for projected bonus shares under 123GROW Plan and Grow shares under GROW Plan
- GROW Plan:
 - Awarded 1,059,900* shares on 1 July 2019
 - Vesting of the Awards: 1 July 2020

* The aggregate number of shares to be finally awarded to the participants will be based on the achievement of certain predetermined performance targets

A survey platform that makes use of Net Promoter Score (NPS) system to better understand our client and candidate's experience and how we can do better

CANDIDATE

RESPONSE RATE	NPS	AVERAGE RATING
26%	77.01	9.4 (71% of respondents gave a perfect score of 10)

CLIENT

RESPONSE RATE	NPS	AVERAGE RATING
28%	43.04	8.35 (51% of respondents gave a perfect score of 10)

Notes:

*Net Promoter Score.

- Data based on feedback collected from 1 Mar to 31 Dec 2019.
- Any NPS score above 0 is "good". It means that the target audience is more loyal than not. Anything above 20 is considered "favourable". Bain & Co, the source of the NPS system, suggests that above 50 is excellent, and above 80 is world class.
(Source: <https://www.customermonitor.com/blog/what-is-a-good-net-promoter-score>)

Knock Knock

Selfie check and automated e-timesheets

This initiative is an easy and fun solution to processing of manual timesheets for our temp and contract staff

KEY FEATURES

- With just one button, a selfie of the user is captured together with its location
- The range of selfie check-in/out can be accurately defined based on location via geo-fencing
- Attendance information is delivered instantly to the cloud – ensures system accuracy and a timely follow up
- Attendance information is integrated into our payroll system

ENHANCEMENTS

- Integration with leave records in Weekly Attendance notification
- Absence list (no attendance taken & no leave records) in weekly attendance notification
- Selfie attendance with attachments that shows lateness, commission, etc
- Integration with leave records & PH calendar in Knock Knock reminder
- Timesheet Auto submission with consolidated email approval





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