



HRnetGroup

FY18/4Q18 Results Announcement

For the Financial Year ended 31 December 2018

22 February 2019

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.

Strong financial performance for the year



- Record high revenue and net profits
- Strong underlying business momentum for both professional recruitment and flexible staffing
- Higher dividend per share on back of better core financial performance

Business Operations



- 3 acquisitions in the year, namely REForce, HRnetRimbun and Career Personnel, which opened up new cities and markets for us – Jakarta and Suzhou
- Continual growth via organic expansion in 2019 – HRnetOne Shenzhen, RecruitFirst Malaysia, RecruitFirst Shanghai
- Exploring growth opportunities in emerging high potential markets

Outlook



- Challenging environment with impending slowing economic growth due to political uncertainties and trade tensions
- Pockets of opportunities still exists within new geographical markets and segments
- Continue to strengthen the resilience of our business model via expanding our service offering in more regions
- Target to sustain current level of growth

Snapshot of FY18 Results



Record Top Lines

Revenue

S\$428.5m

↑ **9.3%**

(FY2017: S\$391.9m)

👍 **Record High**

Gross Profit

S\$155.3m

↑ **14.2%**

(FY2017: S\$136.0m)

👍 **Record High**



Great Profits

NPAT

S\$52.4m

↑ **12.9%**

(FY2017: S\$46.4m)

Normalised NPAT¹

S\$56.3m

↑ **24.0%**

PATMI

S\$48.2m

↑ **16.6%**

(FY2017: S\$41.3m)

Efficiency Ratio

(EBITDA/GP)

40.4%

↓ **0.9% points**

(FY2017: 41.3%)



Business Volume

Contractor Employees

12,112

↑ **941 (8.4%)**

(FY2017: 11,171)

👍 **Record High**

Permanent Placements

9,448

↑ **1,232 (15.0%)**

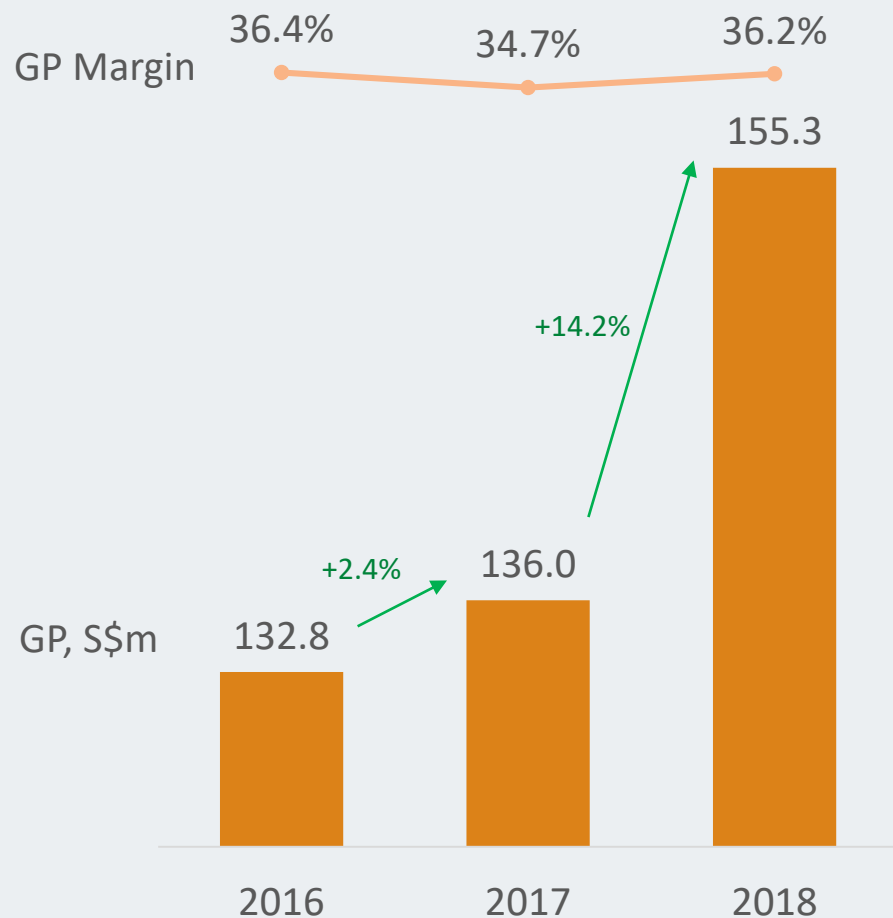
(FY2017: 8,216)

👍 **Record High**

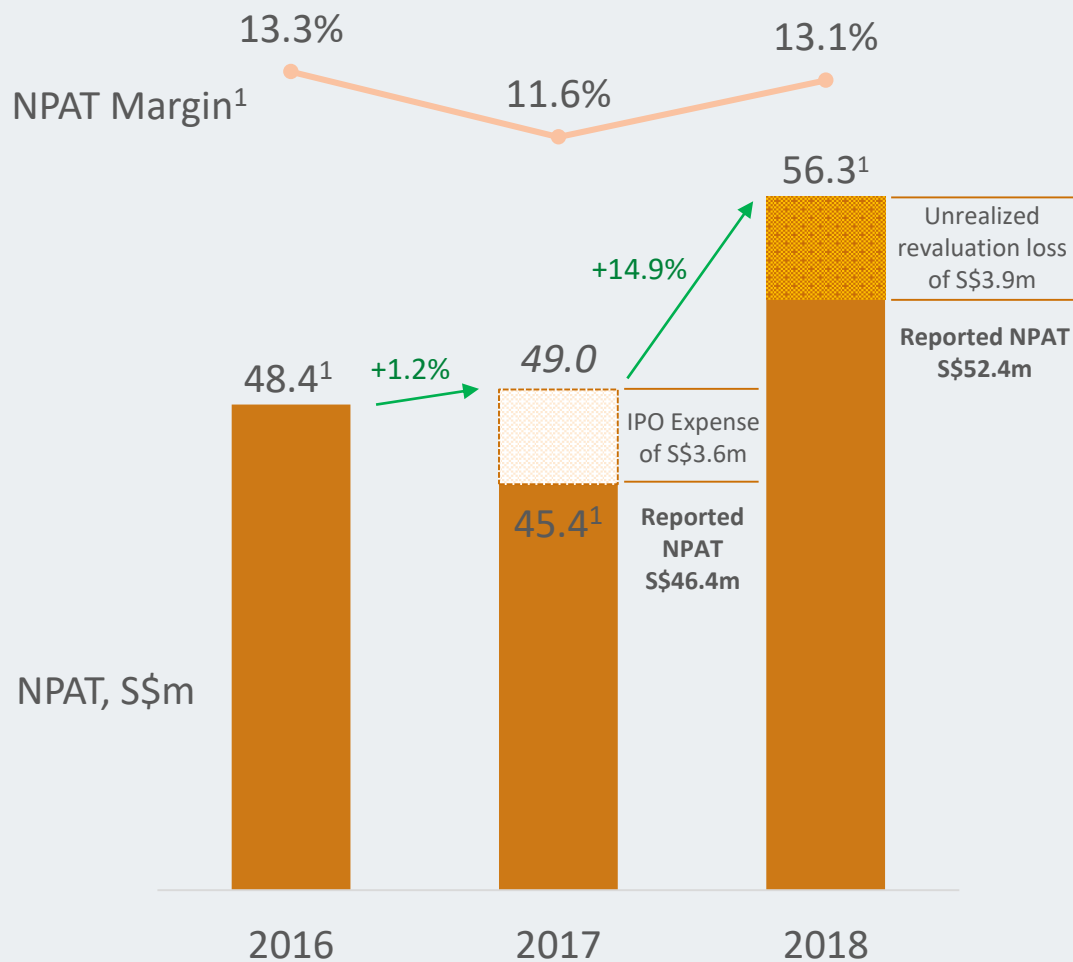
1. Based on "Normalized NPAT" which excludes unrealized gain / (loss) on revaluation of financial assets.

Healthy Gross Profit & Net Profit Growth

Gross Profit & GP Margin

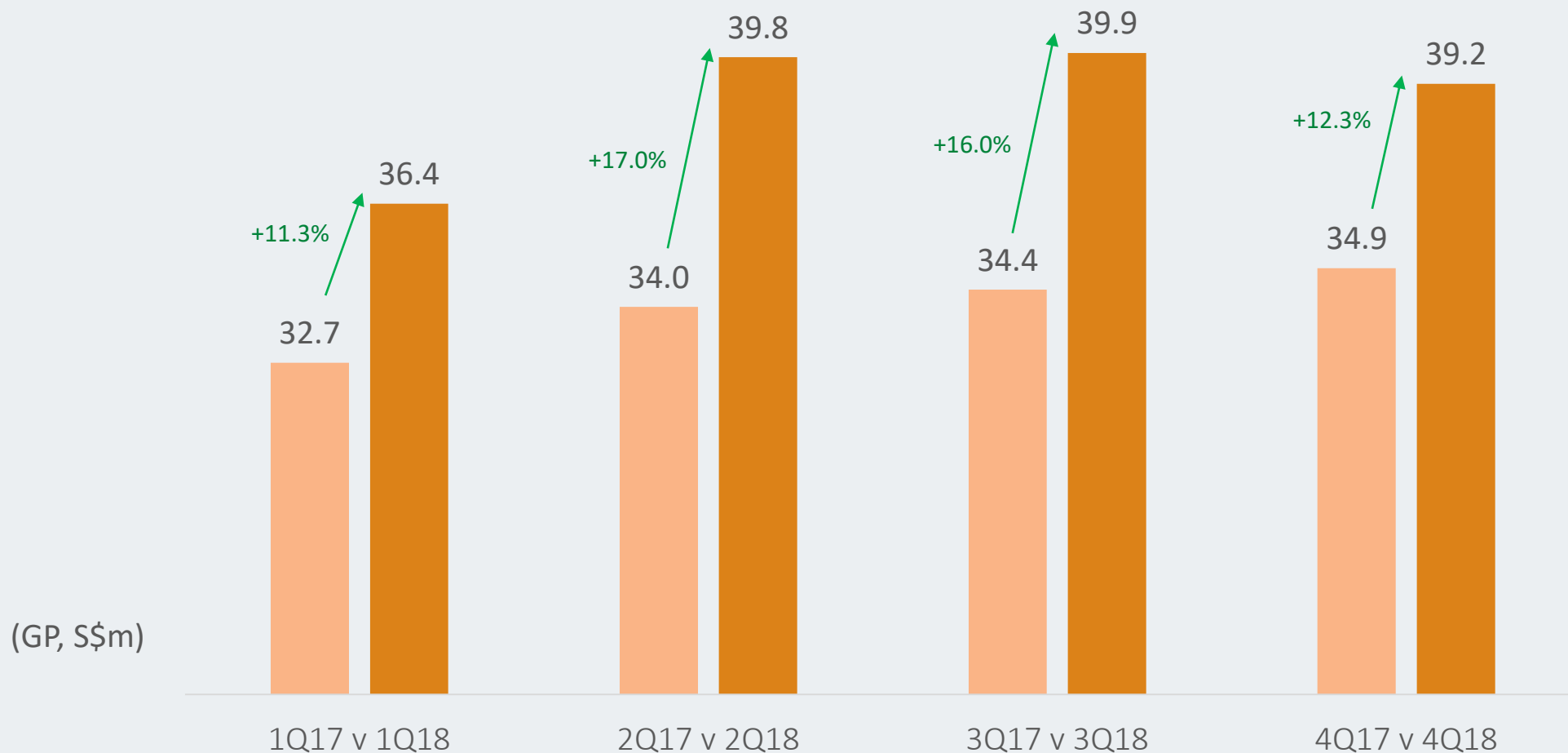


Net Profit & NPAT Margin



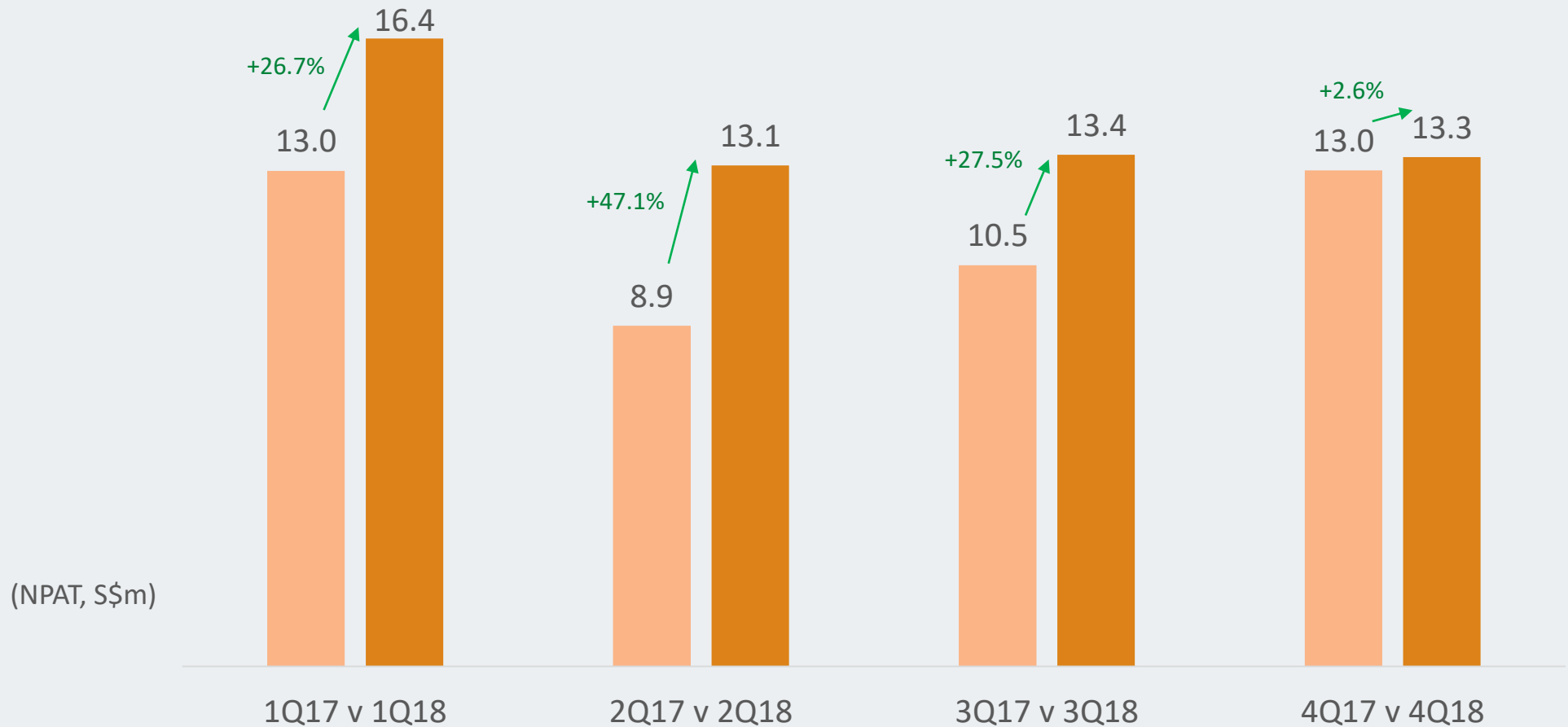
1. Based on "Normalized NPAT" which excludes unrealized gain / (loss) on revaluation of financial assets.

Quarterly Gross Profit Improved YoY



GP Margin	1Q	2Q	3Q	4Q
2017	34.3%	34.9%	35.3%	34.3%
2018	34.1%	36.9%	38.0%	36.1%

Quarterly Net Profit¹ Grew YoY



NPAT Margin	1Q	2Q	3Q	4Q
2017	13.6%	9.2%	10.8%	12.8%
2018	15.4%	12.2%	12.8%	12.3%

1. Based on "Normalized NPAT" which excludes unrealized gain / (loss) on revaluation of financial assets.

Snapshot of Financial Performance

	FY18	FY17	Change
	S\$'m	S\$'m	%
PROFIT & LOSS			
Revenue	428.5	391.9	9.3
Gross profit	155.3	136.0	14.2
Other income			
Government subsidies	5.6	6.0	(6.1)
Unrealized gain / (loss) on revaluation of financial assets	(3.9)	1.0	(>100)
Others	5.1	2.0	>100
Expenses			
Employee benefit expenses	(76.9)	(67.4)	14.1
Facilities and depreciation expenses	(11.1)	(10.7)	3.7
Selling expenses	(5.6)	(3.9)	42.3
Other expenses	(3.4)	(2.5)	36.9
IPO expenses	-	(3.6)	n.m.
Profit before tax	65.1	56.9	14.5
Income tax	(12.7)	(10.5)	21.8
Profit after tax	52.4	46.4	12.9
Unrealized (gain) / loss on revaluation of financial assets	3.9	(1.0)	>100
Normalised profits	56.3	45.4	24.0
PATMI	48.2	41.3	16.6

As at the date of announcement, S\$4.0m of the unrealized revaluation loss has been reversed.

FY18 – Includes bad debt provision of S\$1.6m

KEY FINANCIAL RATIOS

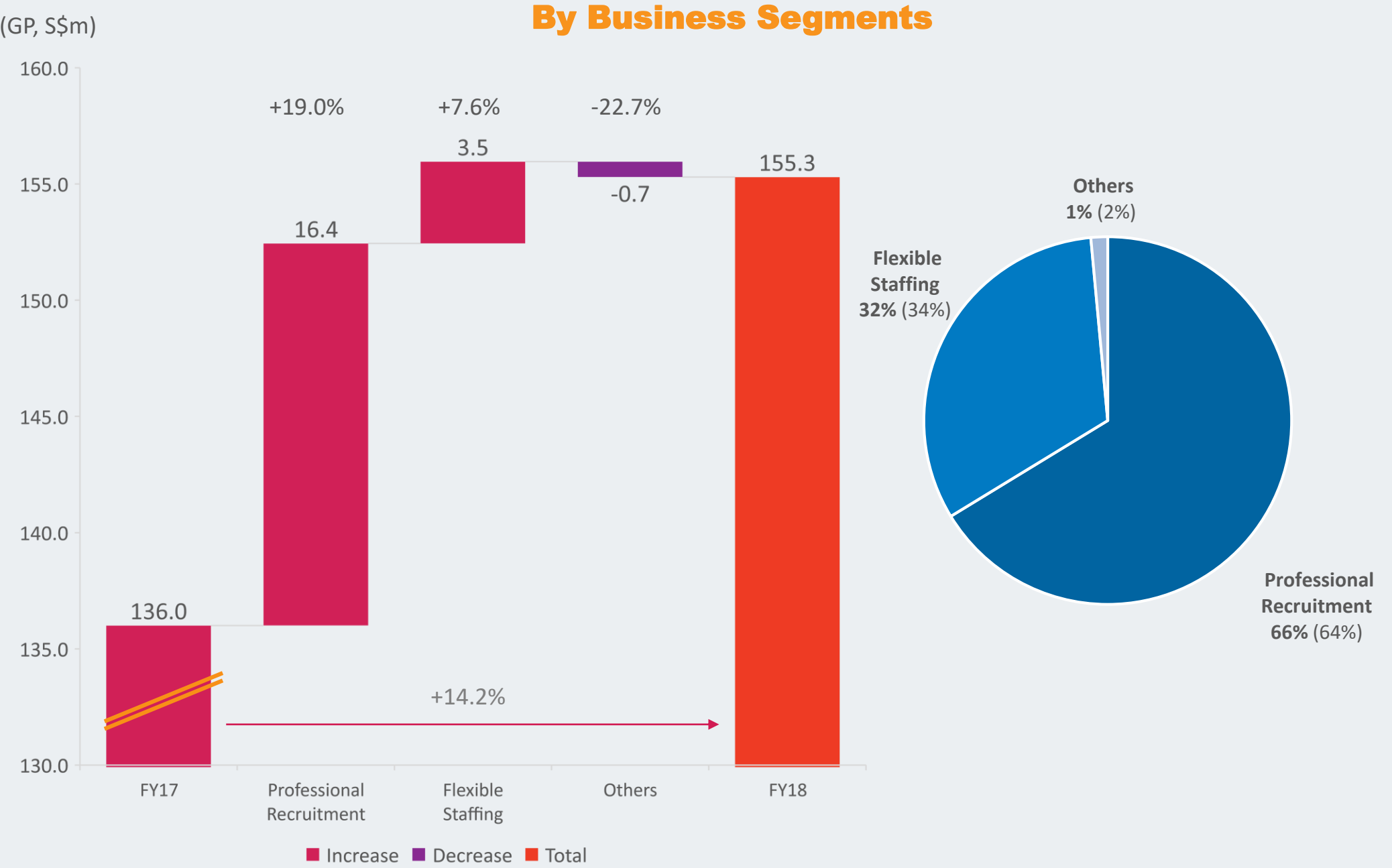
Earnings per share (EPS) (cents)

 Basic 4.84 4.59

 Diluted 4.82 4.56

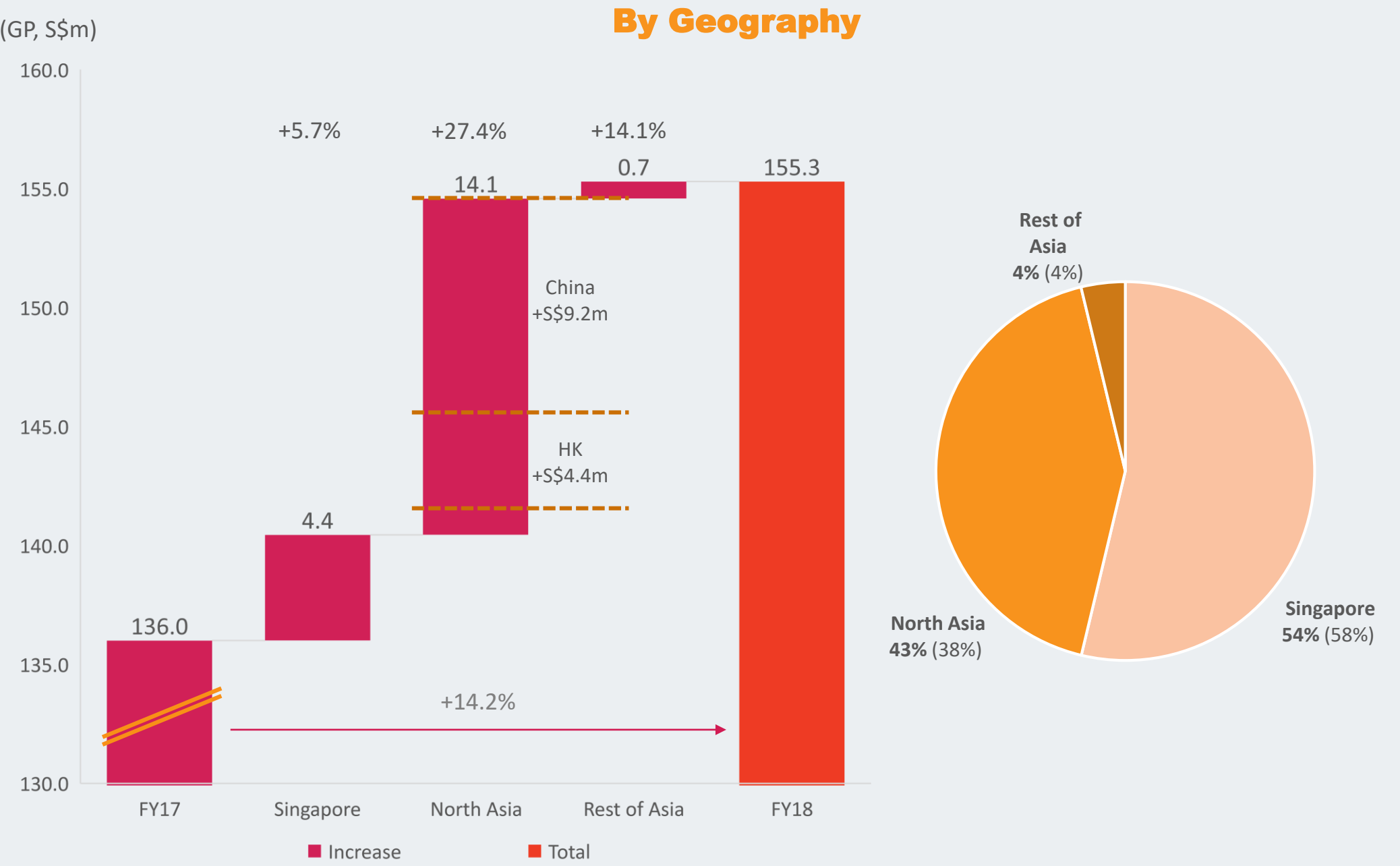
Efficiency Ratio (%) (EBITDA / GP) 40.4 41.3

Gross Profits for the Year



(% in brackets denotes FY17 figures)

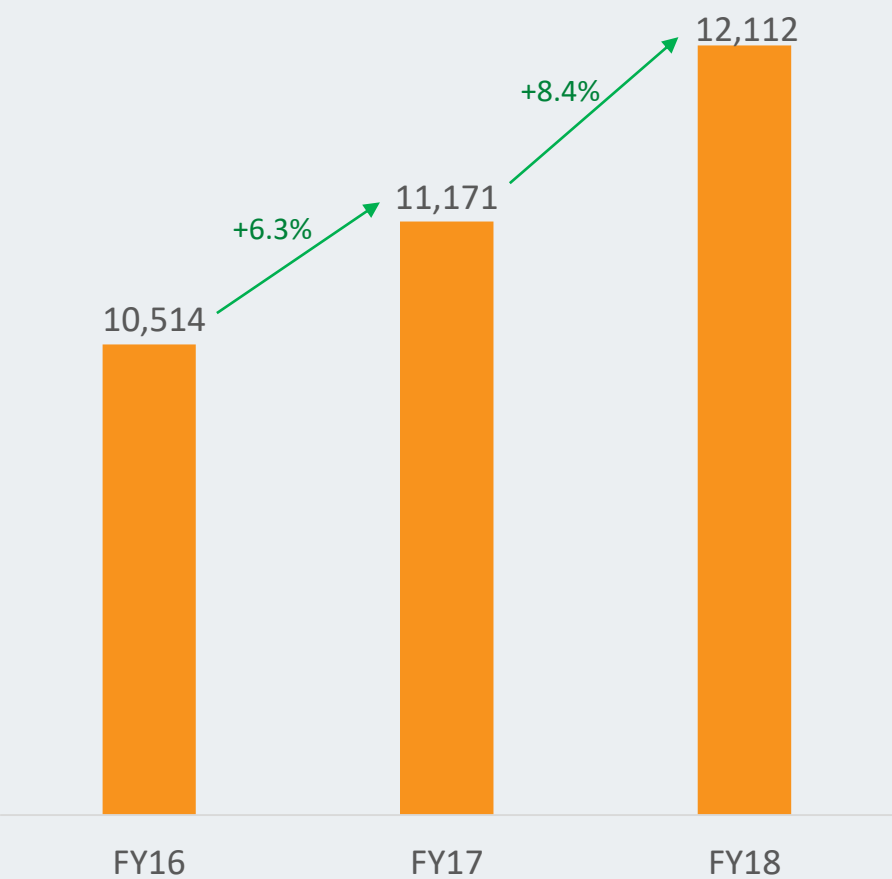
Gross Profits for the Year



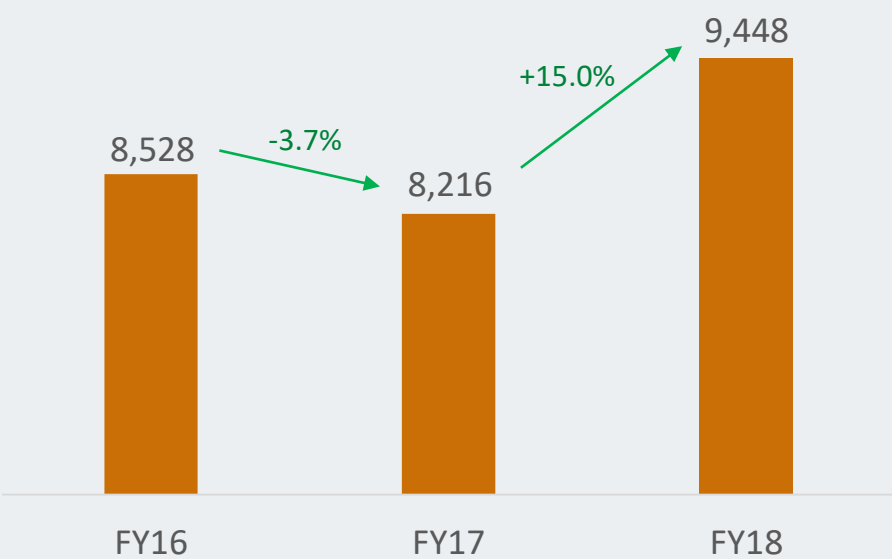
(% in brackets denotes FY17 figures)

Robust underlying Business Momentum

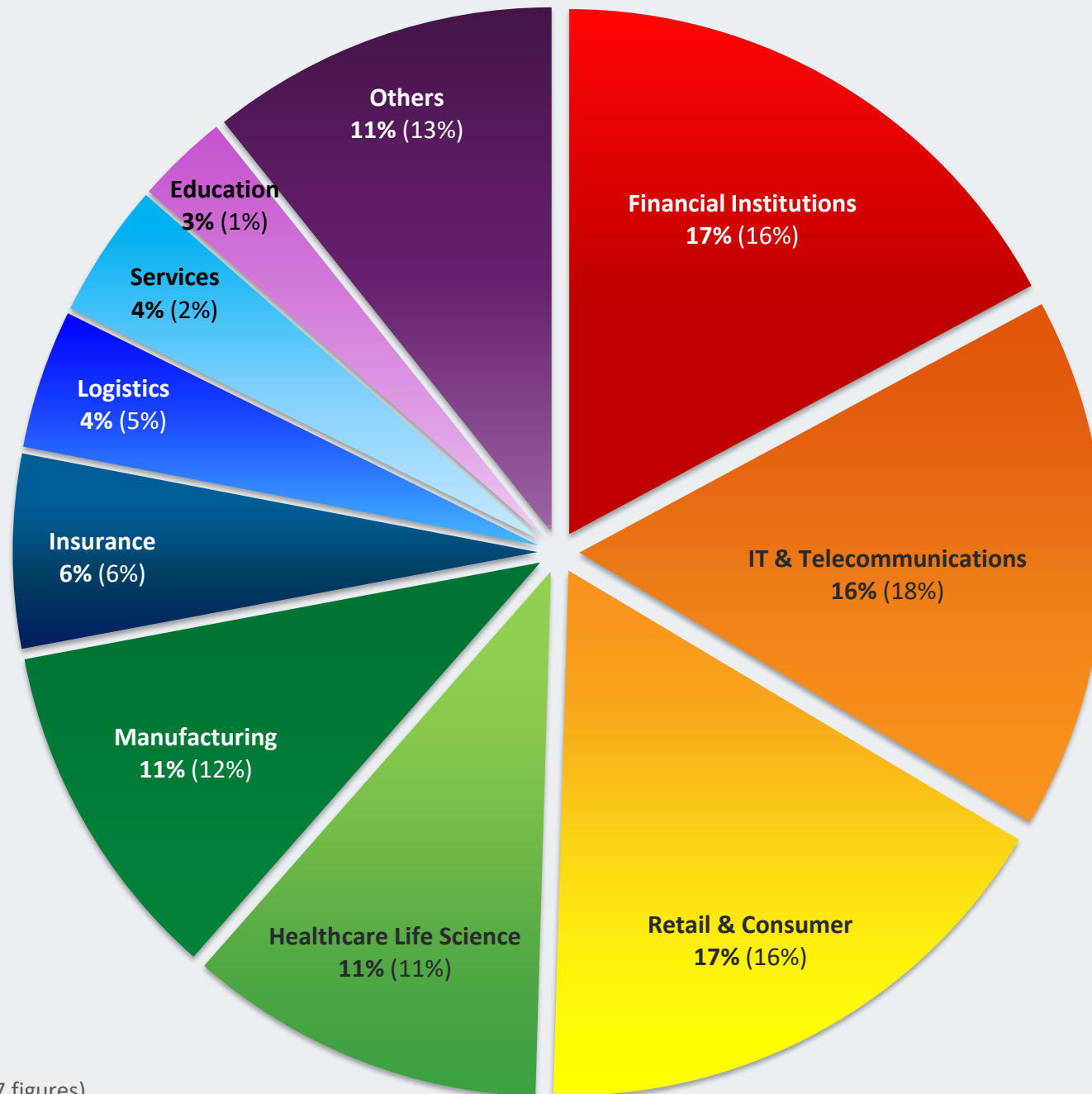
Monthly Average Number of Contractor Employees managed by us



Permanent Placements



Revenue by Sector



(% in brackets denotes 2017 figures)

* 2017 figures restated

Strong Balance Sheet for Expansion

	31 Dec 2018	31 Dec 2017	Change
	S\$'m	S\$'m	S\$'m
Cash	281.8	289.1	(7.3)
Trade receivables	81.3	74.6	6.7
Other Assets	52.3	11.8	40.5
Total Assets	415.4	375.5	39.9
Debt	-	-	-
Payables	69.9	54.7	15.2
Total Equity	345.4	320.8	24.7
Total Liabilities & Equity	415.4	375.5	39.9
NAV	334.0	312.5	21.5
NTA	319.8	312.3	7.5
Receivables Turnover (Days)	69	69	

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 (\$m)
Working capital	100
Proposed dividend payment	28
Committed consideration for M&A	16
Earmarked for expansion plans in the pipeline	22
	166

Balance Sheet Management



IPO PROCEEDS of S\$174m - Breakdown of Utilisation

Items	Percentage of IPO Proceeds
IPO & Professional Fees Expenses	5%
Investments in Strategic Entities	16%
Invested & Committed Investments in Organic Subsidiaries	2%
Paid & Committed Consideration for Acquisitions	9%
Earmarked for Expansion & Investment Plans in the Pipeline	12%
Total Utilized & Earmarked	44%



CORE DIVIDEND PRACTICE

- To maintain a 50% payout ratio
- Proposed a FY18 dividend of 2.8 cents, an increase of 21.7% from FY17. Total cash requirement is ~\$28.15m.
- This represents a payout ratio of 53.7% of NPAT, arrived based on 50% of the current year Normalized NPAT.
- 3.6% dividend yield, based on closing price of \$0.78 on 31 January 2019 (vs 3.0% dividend yield for FY17, based on closing price of \$0.765 on 29 Dec 2017.)

Outperforming The Market



Rationale for Shares Repurchase

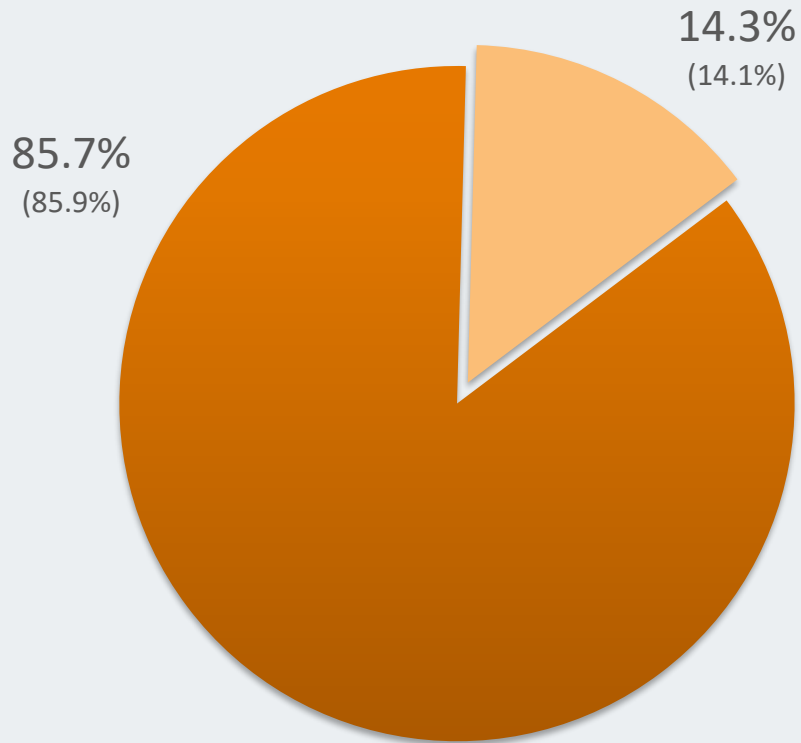


- One of the capital management tools to enhance shareholder value
- Treasury shares are used for shares incentive plans and/or M&A considerations

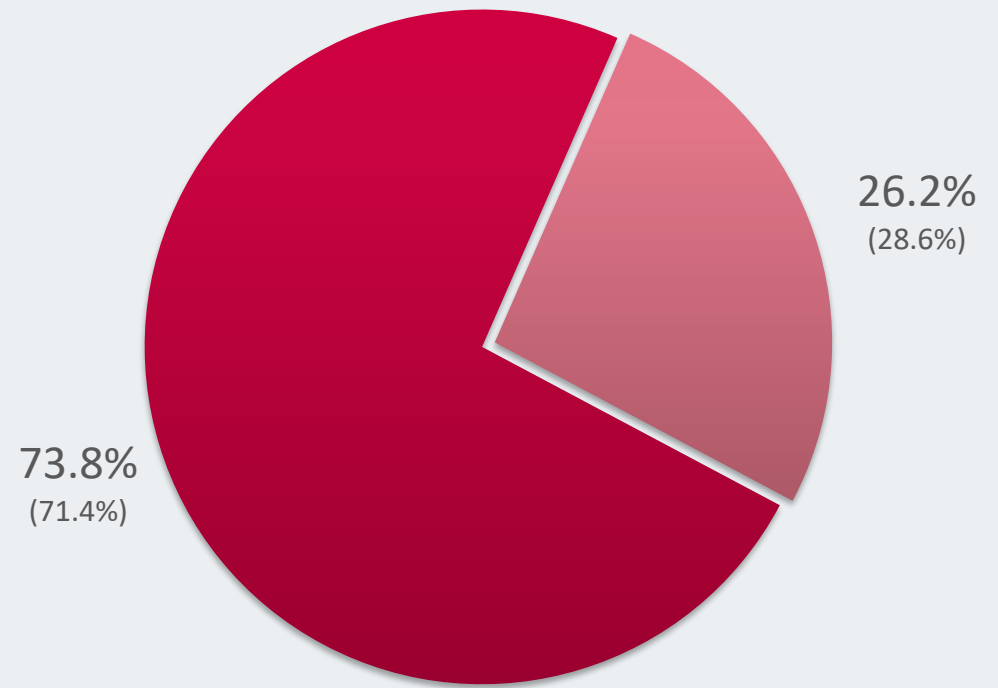
For 2018

- Total number of shares repurchased: 7.6m (\$\$6.6m)
 - 2.0m shares re-issued in pursuant to bonus shares vested for 123GROW plan
-
- Treasury shares sufficient for projected bonus shares to be granted in 2019 & 2020 under 123GROW plan and GROW Plan

Sales Employees



Productive HeartCount (PHC)¹



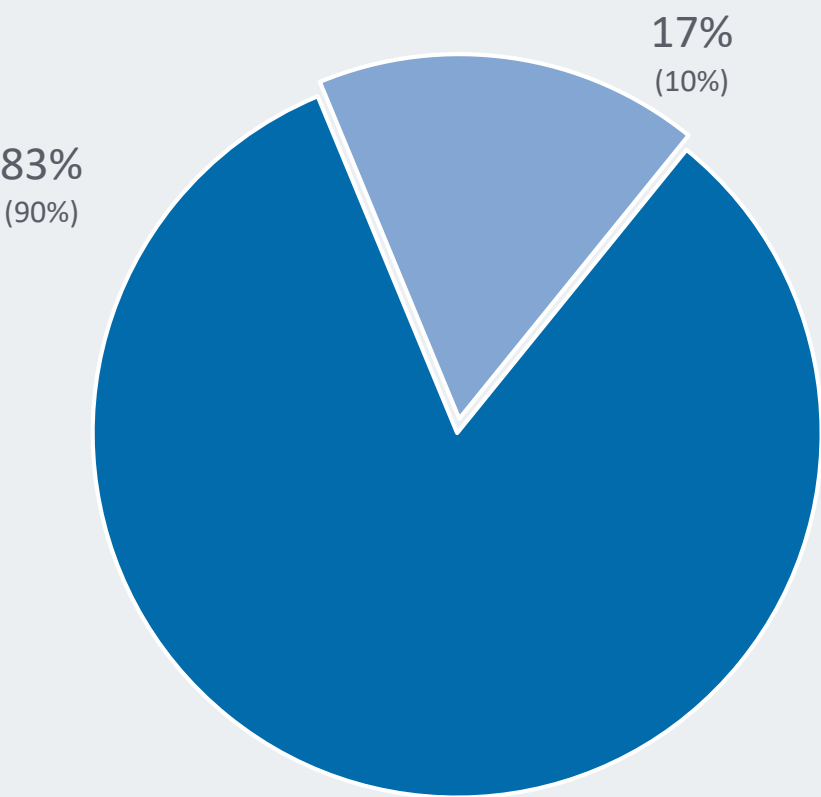
■ Sales Employees

Permanent employees: 941 (2017: 809)
(% in brackets denotes 2017 figures)

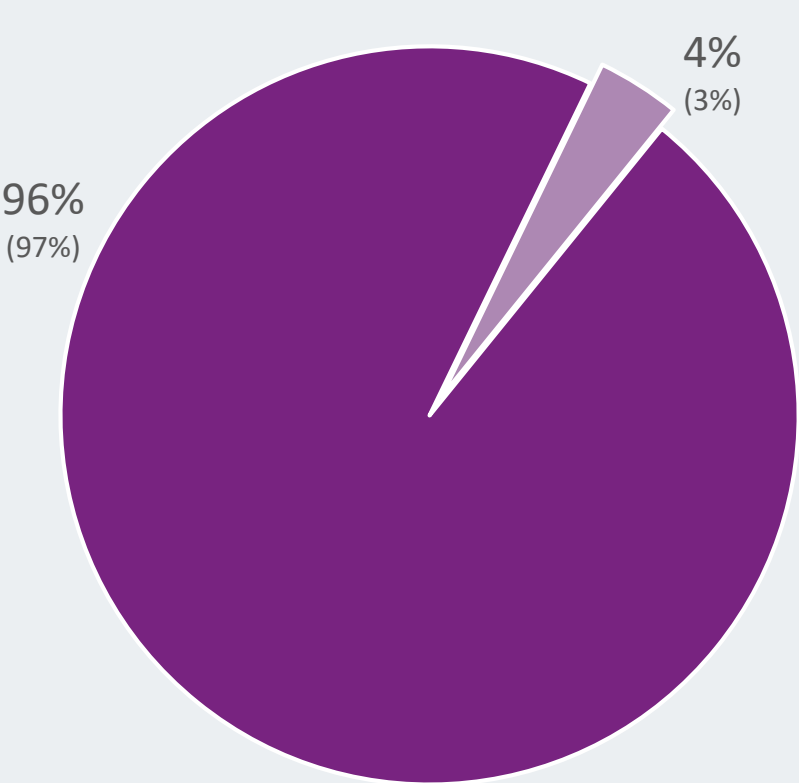
■ PHC

1. Productive heartcount is defined as sales people who achieves gross profit of 3 times his payroll costs.

Retention rate Co-Owners



PHC of retained Co-Owners



■ Retention

■ PHC

123GROW Co-Owners as of 31 Dec 2018: 301 (31 Dec 2017: 363)
Initial 123GROW Co-Owners: 404
(% in brackets denotes 2017 figures)

Highly Effective Workforce

		FY18	FY17	Change
	<i>Excluding M&A</i>			
Revenue/Sales Employees (\$'000)	581.0 ↑ +3.0%	531.6	563.9	-5.7%
GP/Sales Employees (\$'000)	208.7 ↑ +6.7%	192.7	195.7	-1.5%
		Dec-18	Dec-17	
Total Employees		1,101	1,003	
Perm Employees		941	809	
<i>Singapore</i>		343	359	
<i>North Asia</i>		499	363	
<i>Rest of Asia</i>		99	87	
Temp/Contract		160	194	
Sales Employees		806	695	
% Sales Employees		85.7	85.9	
Productive Sales Employees		595	496	
% Productive Sales Employees		73.8	71.4	
<i>Singapore</i>		91.5	84.9	
<i>North Asia</i>		65.4	63.2	
<i>Rest of Asia</i>		58.1	53.2	

Singapore Government Subsidies



- Government co-funding will be maintained at 20% for 2018 (to be received in 2019). Subsequently, the co-funding ratio will be stepped down to 15% in 2019 (to be received in 2020) and 10% in 2020 (to be received in 2021).

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

Driving Efficiency & Productivity

Aiming to digitalise and automate our value chain and improve quality of delivery



OPERATIONS & PROCESSES

Integrated Framework of Internal Systems

- Weekly Intervention Transformation Report (**WITS**) to track work progress, learnings and future planning
- Integrated Human Resource Solutions (**iHRS**) – Proprietary online application for all HR and Company-related matters (including e-Timesheets, e-Claims, e-Payroll)
- Integrated Executive Search (**ies**) – Proprietary client / candidate / project relationship management system
- SAP Business One – Accounting System

Driving Efficiency & Productivity

Aiming to digitalise and automate our value chain and improve quality of delivery



CUSTOMER EXPERIENCE

- Leveraging on digital means to maximise outreach (e.g. job portals, social media, search engines & instant messaging)
- Digitalising external facing processes (e.g. e-candidate data form, eLA, communications broadcast, zoom meetings, QR cards)
- Measuring level of engagement via our own online survey portal (HearTbeats) to track feedback across all contact points and interactions – Consultant, Client and Candidate



QUALITY OF DELIVERY

- Job Ads checker – additional level of check to ensure data accuracy
- Experimenting with new technologies to enhance in jobs matching (e.g. Investment in Glints)

2018 Acquisitions & Strategic Investments



Jakarta

Consolidated since 1 Sep 2018



Batam



Singapore



Beijing, Shanghai, Guangzhou, Suzhou

Consolidated since 1 Sep 2018



CAREER PERSONNEL



Hong Kong

Consolidated since 1 Oct 2018



RecruitFirst KUALA LUMPUR

Incorporated RecruitFirst Staffing Services Sdn Bhd and Agensi Pekerjaan RecruitFirst to start up another flexible staffing business. This business unit is headed up by our existing co-owner Daniel Choong. Commenced operations on 1 Jan 2019.



HRnetOne SHENZHEN

This business unit is headed up by our Co-Owner Maverick Tan. Reach out to our HRnetOne Shenzhen team to acquire your AI talents. Targeted commencement is 3Q19.



RecruitFirst SHANGHAI

Preparations are on track for the set up of our flexible staffing business in Shanghai which will be headed up by our Co-Owner Annie Zhang. Targeted commencement is 2Q19.





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