



HRnetGroup

3Q/9M19 Results Announcement  
8 November 2019



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# Snapshot of 3Q19 Results



## Top Lines

Revenue

**S\$106.7m**

up 1.6%

(3Q18: S\$105.0m)



## Profitability

Adjusted NPAT<sup>1</sup>

**S\$13.9m**

up 3.5%

(3Q18: S\$13.4m)



## Business Volume

Contractor Employees

**11,568**

up 176 (1.5%)

(3Q18: 11,392)

Gross Profit

**S\$38.4m**

down 3.8%

(3Q18: S\$39.9m)

Adjusted PATMI<sup>1</sup>

**S\$12.7m**

up 3.1%

(3Q18: S\$12.3m)

Placements

**2,311**

down 97 (4.0%)

(3Q18: 2,408)

Conversion Ratio

(Adjusted EBIT<sup>1</sup>/GP)

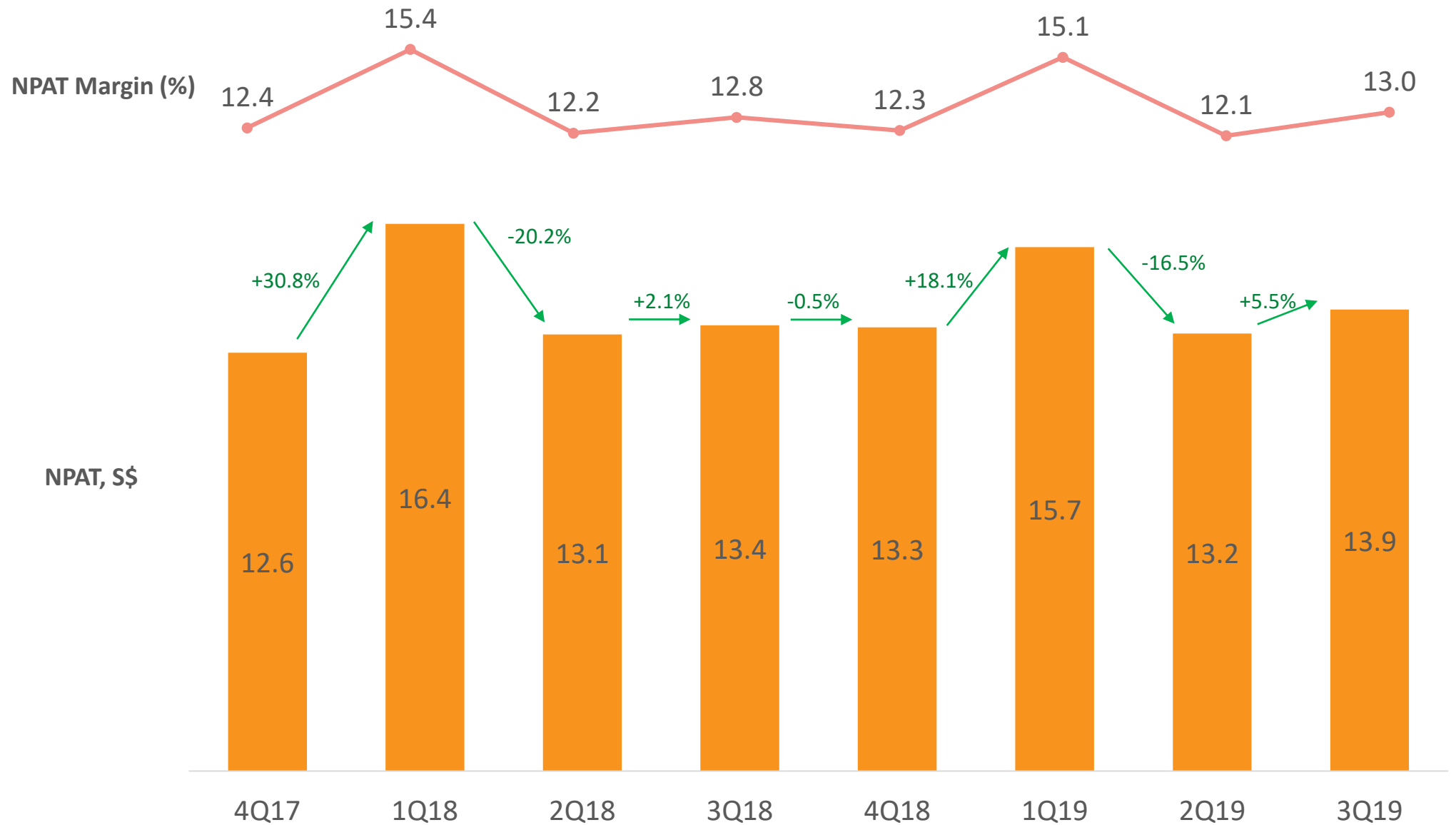
**43.0%**

up 3.6% points

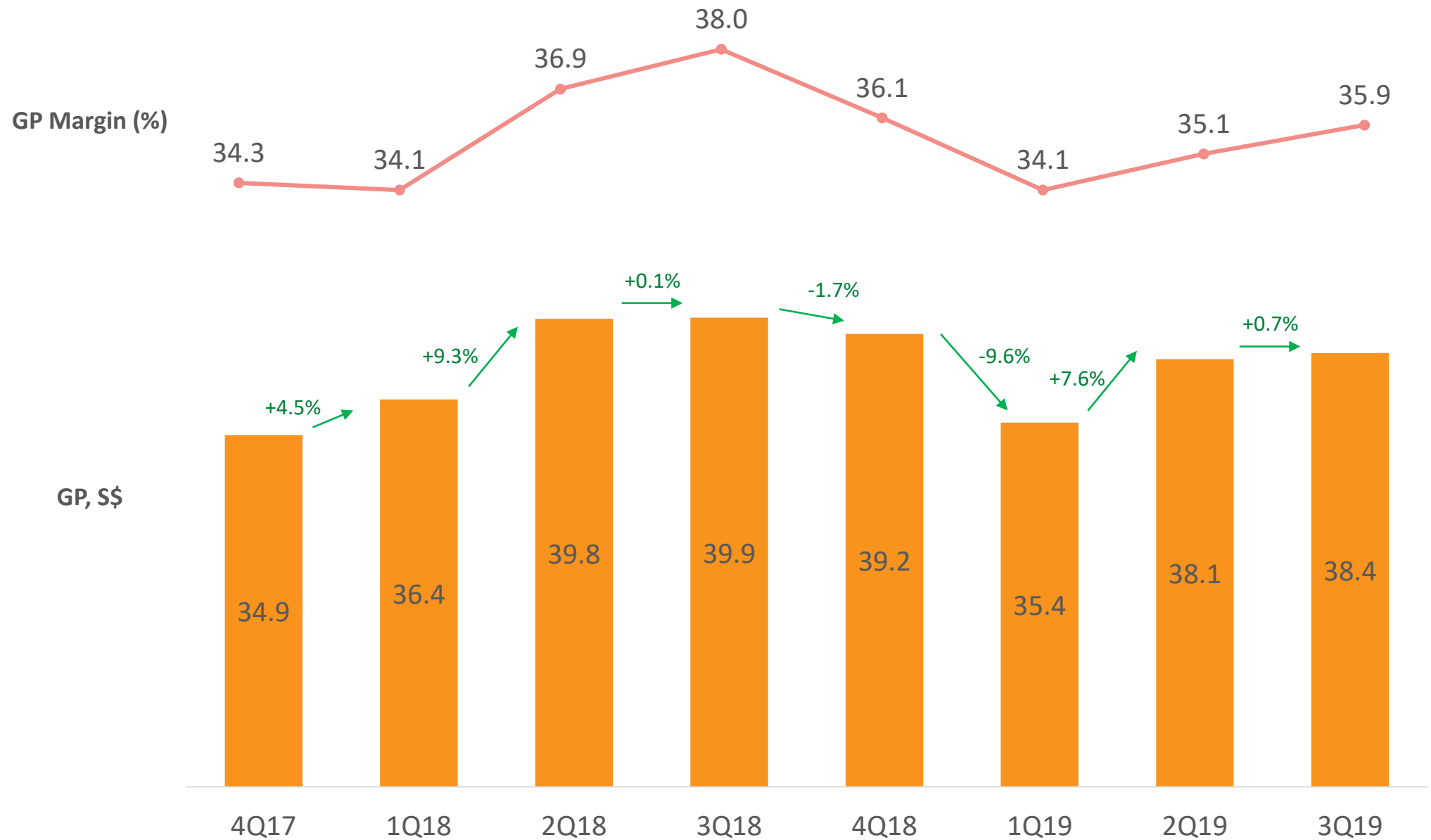
(3Q18: 39.4%)

1. Excludes unrealised gain / (loss) on revaluation of financial assets.

# Respectable Profitability with NPAT Margin Above 12% Every Quarter

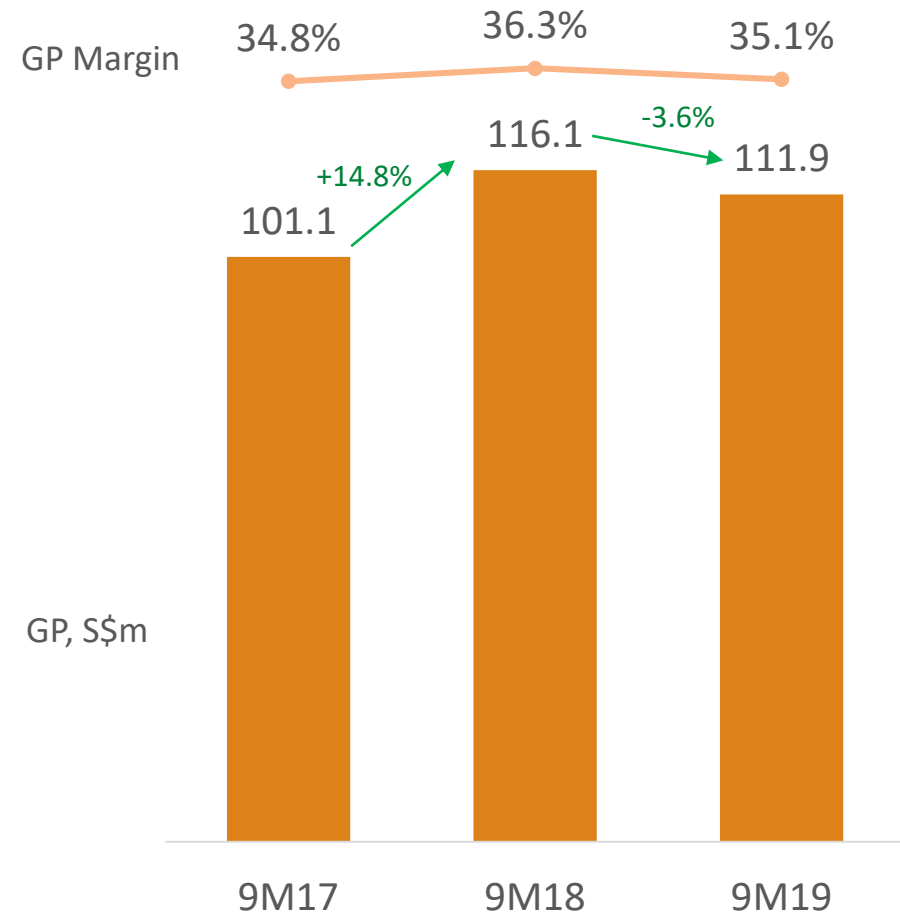


# Shifts in GP Margins reflecting changes in Business Mix

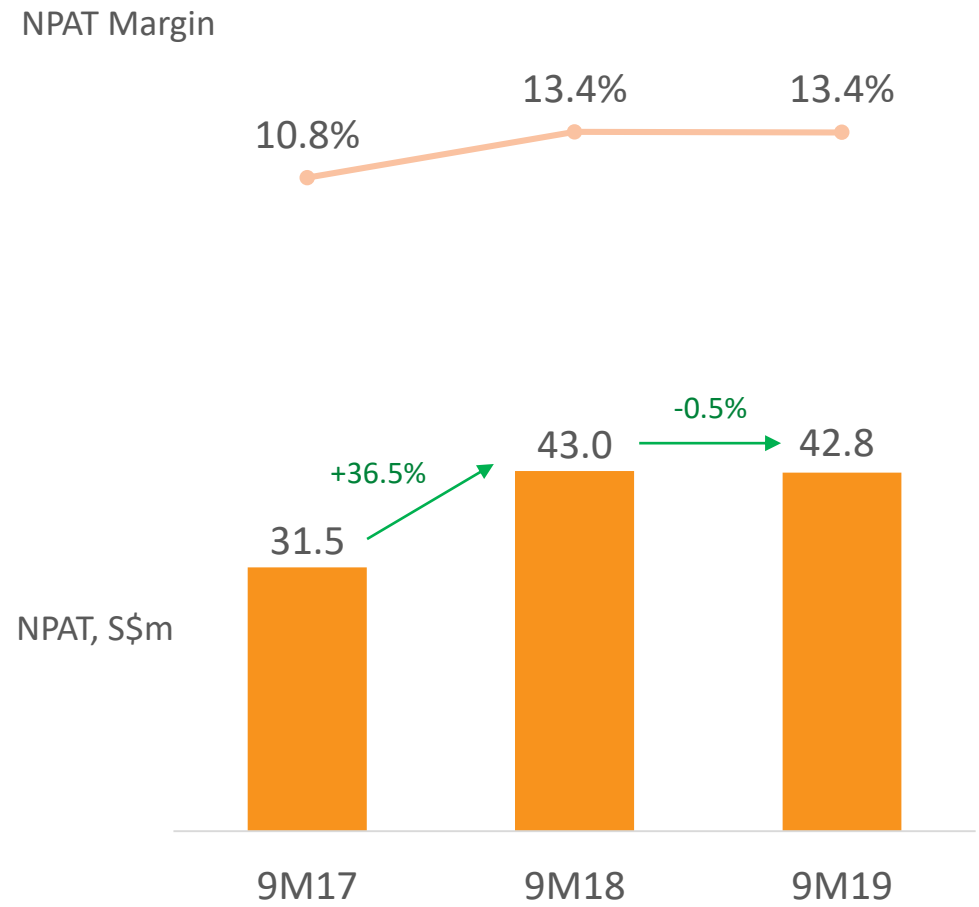


# Resilient Topline and Healthy Profits despite Market Uncertainties

## Gross Profit & GP Margin



## NPAT & NPAT Margin

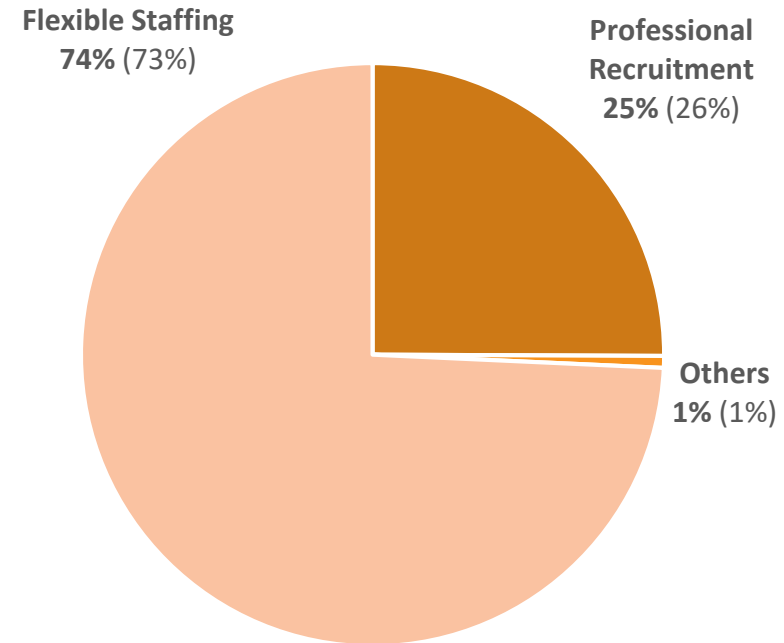
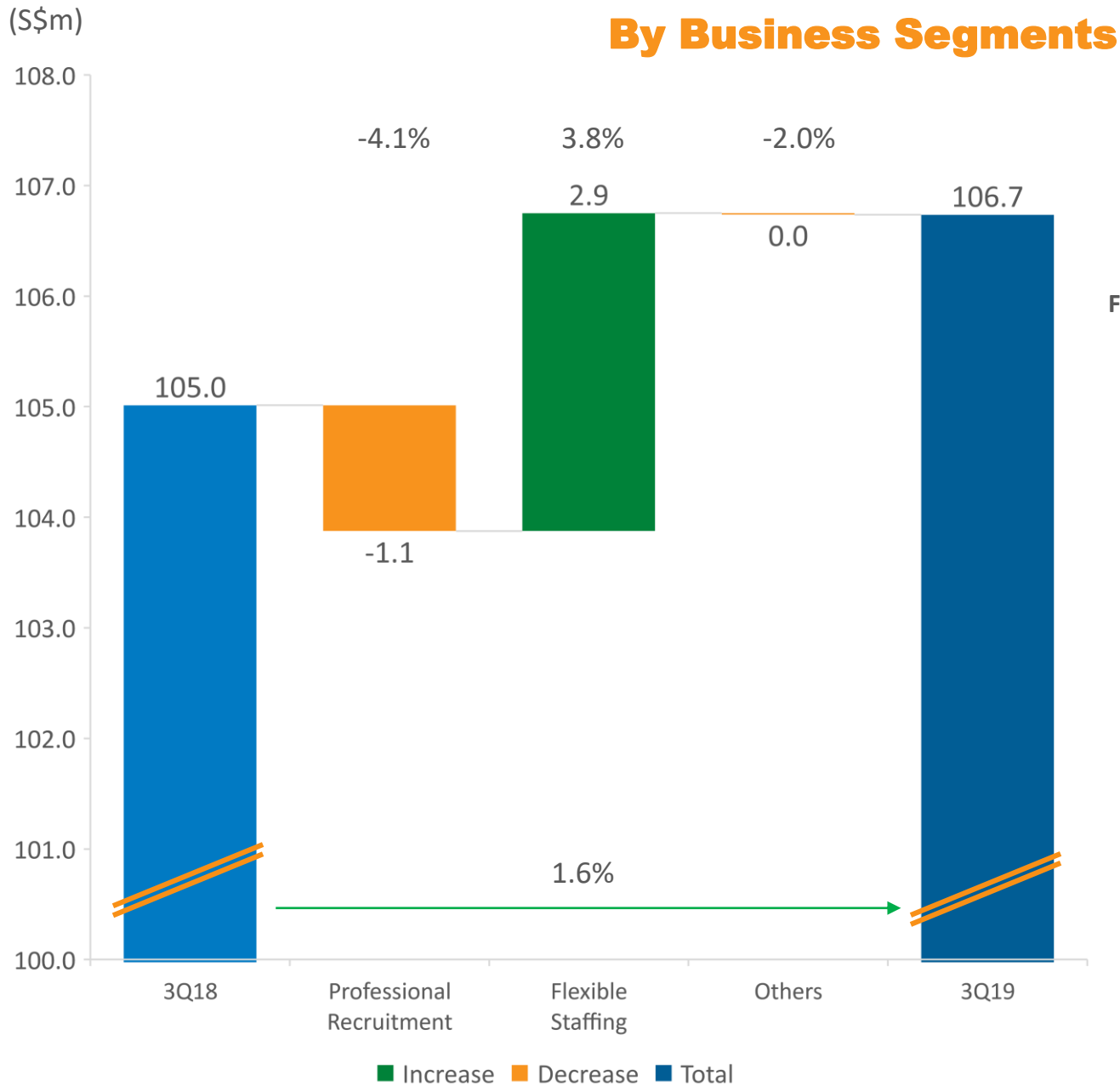


Note: Excludes unrealised gain / (loss) on revaluation of financial assets.

# Snapshot of Financial Performance

|  | 3Q19        | 3Q18         | Change      | 9M19         | 9M18         | Change         |
|--|-------------|--------------|-------------|--------------|--------------|----------------|
|  | S\$'m       | S\$'m        | %           | S\$'m        | S\$'m        | %              |
| <b>PROFIT &amp; LOSS</b>   |             |              |             |              |              |                |
| Revenue  | 106.7       | 105.0        | 1.6         | 319.2        | 320.0        | (0.2)          |
| Gross profit   | 38.4        | 39.9         | (4.9)       | 111.9        | 116.1        | (3.6)          |
| Other income   |             |              |             |              |              |                |
| <i>Government subsidies</i>  | 0.1         | 0.1          | 6.9         | 4.6          | 5.6          | (18.2)         |
| <i>Others</i>  | 2.9         | 1.3          | >100        | 10.7         | 4.6          | >100           |
| Expenses   |             |              |             |              |              |                |
| <i>Employee benefit expenses</i>                                       | (19.2)      | (19.3)       | (0.9)       | (56.1)       | (58.6)       | (4.3)          |
| <i>Facilities and depreciation expenses</i>                            | (3.2)       | (2.9)        | 10.4        | (9.0)        | (8.2)        | 10.8           |
| <i>Selling expenses</i>  | (1.1)       | (1.2)        | (13.4)      | (3.4)        | (3.0)        | 11.3           |
| <i>Other expenses</i>  | (1.1)       | (1.0)        | 21.0        | (2.9)        | (2.3)        | 25.6           |
| <i>Finance costs<sup>1</sup></i>                                       | (0.1)       | -            | n.m.        | (0.2)        | -            | n.m.           |
| Profit before tax  | 16.7        | 16.9         | (1.0)       | 55.6         | 54.2         | 2.5            |
| Income tax   | (3.6)       | (3.2)        | 10.7        | (9.6)        | (9.4)        | 1.9            |
| <i>Unrealised loss/(gain) on revaluation of other financial assets</i> | <i>0.7</i>  | <i>(0.3)</i> | <i>n.m.</i> | <i>(3.2)</i> | <i>(1.8)</i> | <i>&gt;100</i> |
| <b>Adjusted Profit after tax</b>                                       | <b>13.9</b> | <b>13.4</b>  | <b>3.5</b>  | <b>42.8</b>  | <b>43.0</b>  | <b>(0.5)</b>   |
| <b>Adjusted PATMI</b>  | <b>12.7</b> | <b>12.3</b>  | <b>3.1</b>  | <b>39.6</b>  | <b>40.1</b>  | <b>(1.2)</b>   |
| <b>Adjusted EBITDA</b>   | <b>17.0</b> | <b>16.0</b>  | <b>6.1</b>  | <b>50.0</b>  | <b>50.7</b>  | <b>(1.4)</b>   |
| <b>KEY FINANCIAL RATIOS</b>  |             |              |             |              |              |                |
| Earnings per share (EPS) (cents)                                       |             |              |             |              |              |                |
| <i>Basic</i>   | 1.19        | 1.25         |             | 4.25         | 4.15         |                |
| <i>Diluted</i>   | 1.19        | 1.24         |             | 4.24         | 4.13         |                |
| Conversion Ratio (%) (EBIT / GP)                                       | 41.1        | 40.1         |             | 46.7         | 44.7         |                |

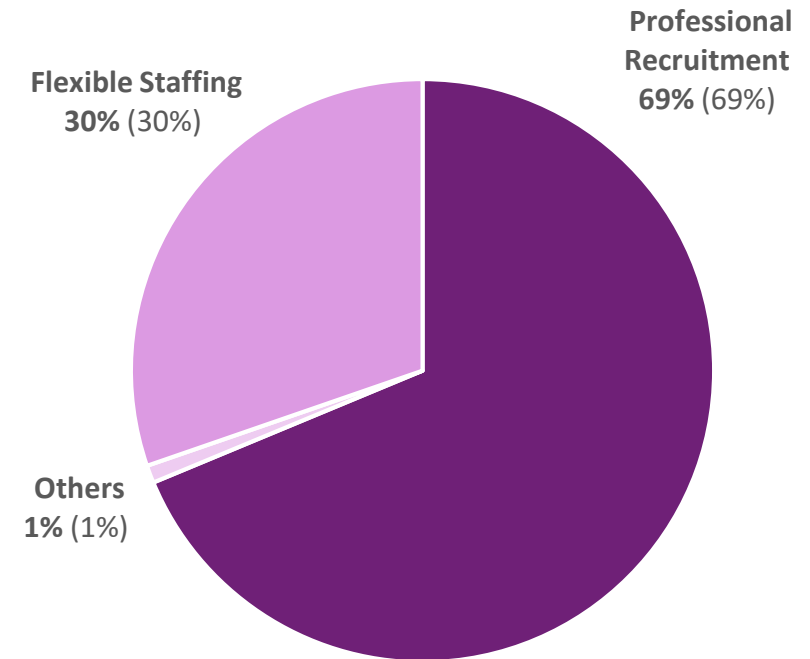
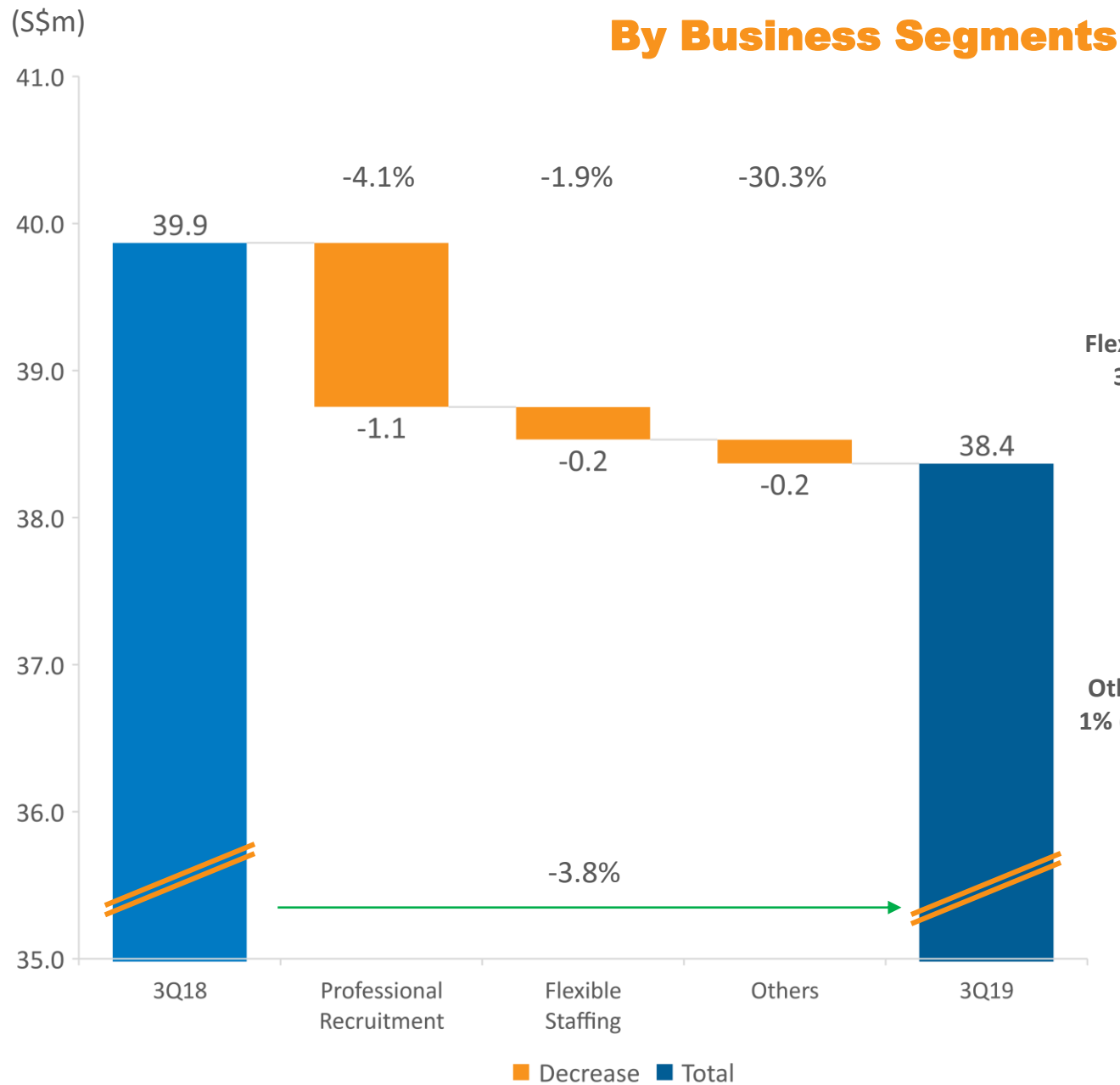
# Revenue for the Quarter



(% in brackets denotes 3Q18 figures)

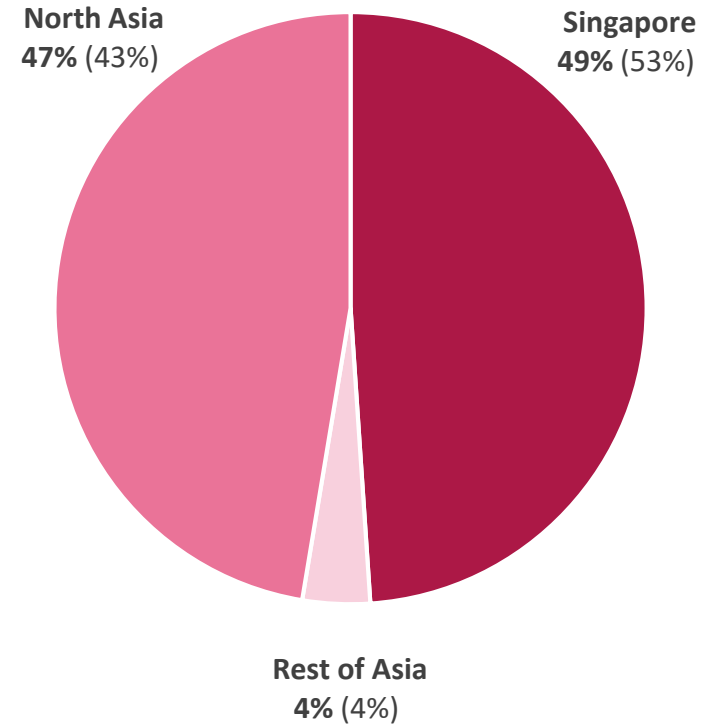
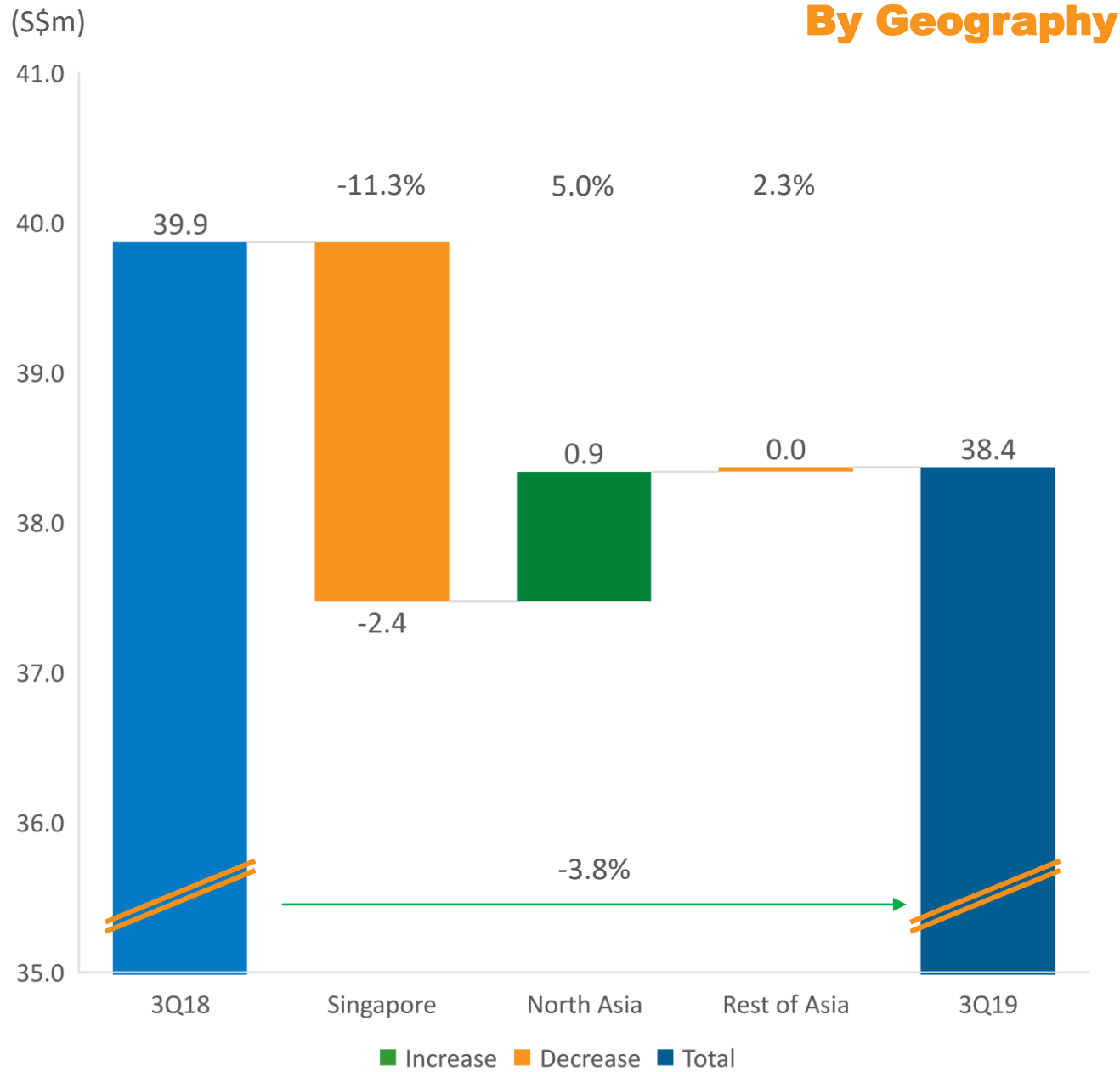


# Gross Profit for the Quarter



(% in brackets denotes 3Q18 figures)

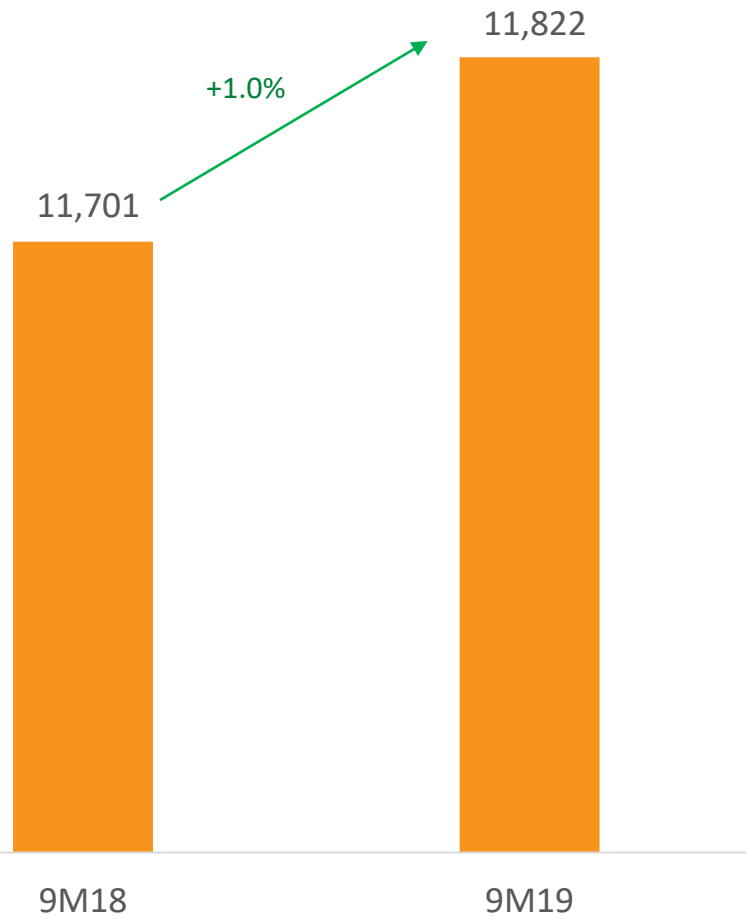
# Gross Profit for the Quarter



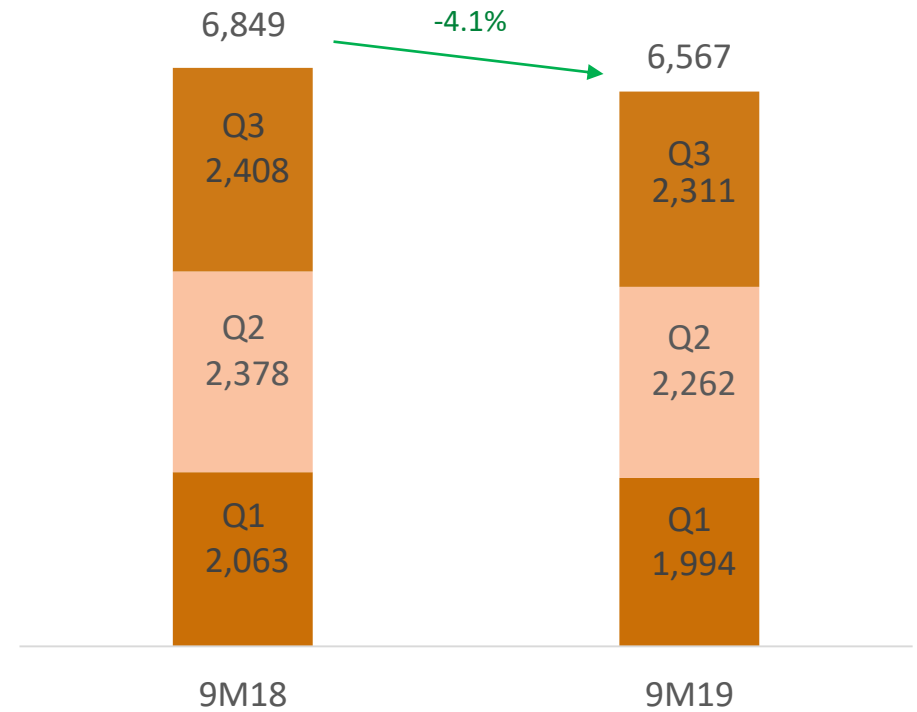
(% in brackets denotes 3Q18 figures)

# Business Momentum supported by Flexible Staffing Business

### Monthly Average Number of Contractor Employees managed by us



### Placements



# Strong Balance Sheet for Expansion

|  | 30 Sep 2019  | 30 Jun 2019  | Change      |
|--|--------------|--------------|-------------|
|  | S\$'m        | S\$'m        | S\$'m       |
| Cash                                     | 238.7        | 274.4        | (35.7)      |
| Trade Receivables                        | 76.1         | 80.0         | (3.9)       |
| Other Financial Assets                   | 30.8         | 35.7         | (4.9)       |
| Right-of-use Assets <sup>1</sup>         | 14.9         | 11.9         | 3.0         |
| Associate                                | 55.4         | -            | 55.4        |
| Goodwill & Other Intangible Assets       | 6.7          | 14.8         | (8.1)       |
| Other Assets                             | 11.2         | 11.1         | 0.1         |
| <b>Total Assets</b>                      | <b>433.8</b> | <b>427.9</b> | <b>5.9</b>  |
| Debt                                     | -            | -            | -           |
| Trade and Other Payables                 | 41.9         | 42.3         | (0.4)       |
| Deferred Considerations                  | 5.1          | 13.3         | (8.2)       |
| Lease Liabilities <sup>1</sup>           | 15.0         | 11.9         | 3.1         |
| Tax Payable and Deferred Tax Liabilities | 8.1          | 10.3         | (2.2)       |
| Total Equity                             | 363.7        | 350.1        | 13.6        |
| <b>Total Liabilities &amp; Equity</b>    | <b>433.8</b> | <b>427.9</b> | <b>5.9</b>  |
| <b>NAV</b>                               | <b>348.3</b> | <b>336.3</b> | <b>12.0</b> |
| <b>NTA</b>                               | <b>341.6</b> | <b>321.5</b> | <b>20.1</b> |
| <b>Receivables Turnover (Days)</b>       | <b>67</b>    | <b>67</b>    |             |

1. Relates to long-term office leases commitments.

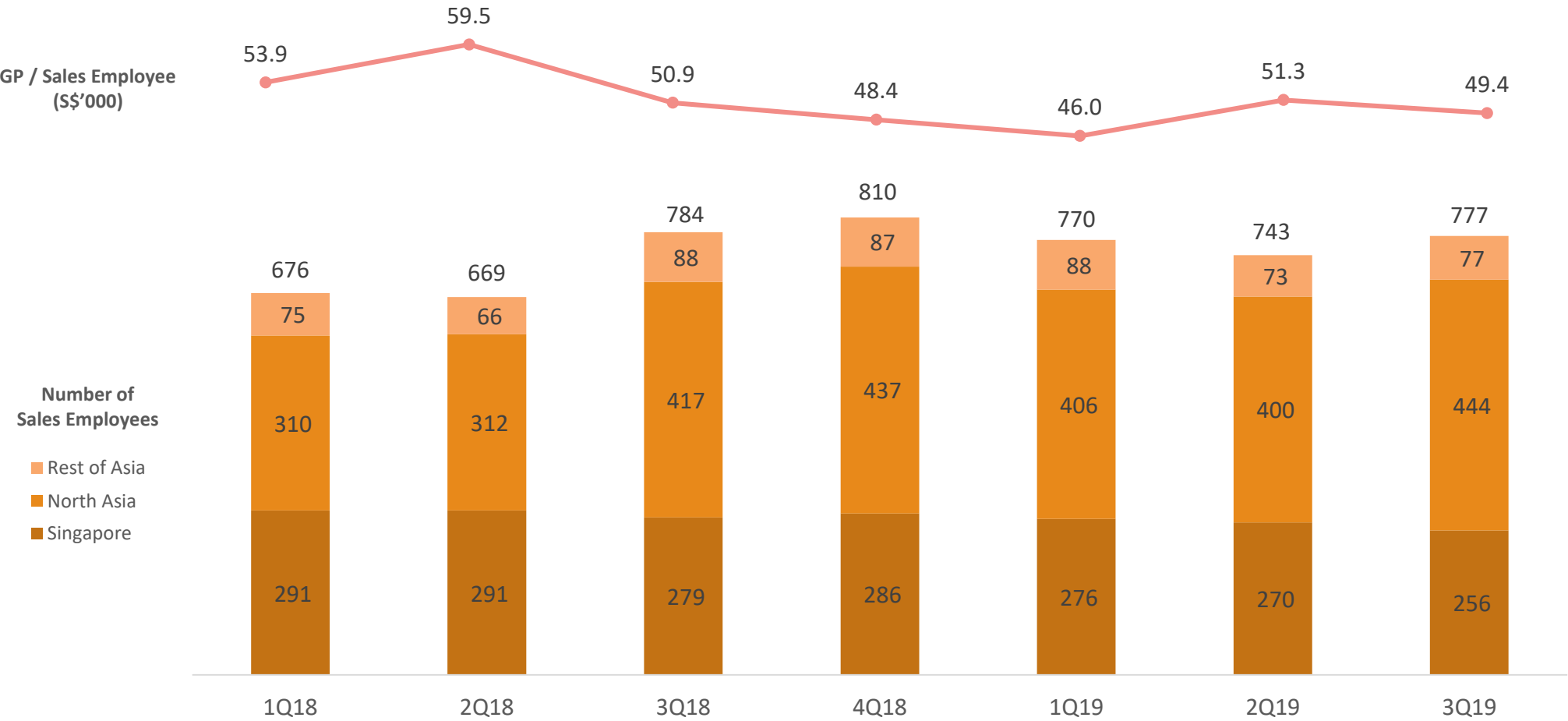


## Wage Credit Scheme (WCS)

- Government co-funding was maintained at 20% for 2018, which was 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).

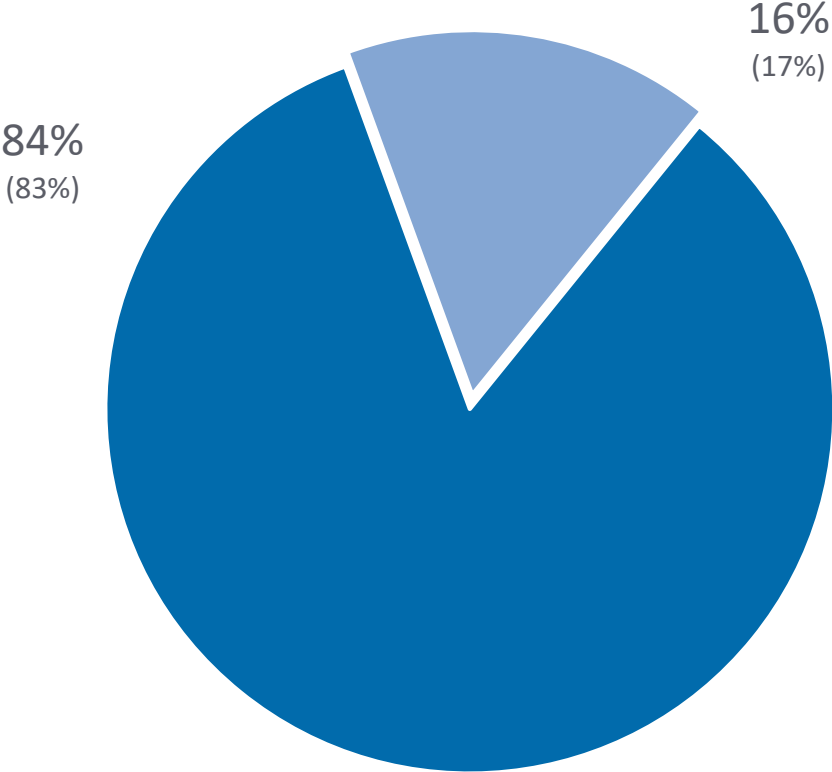
| S\$'m | Q1               | Q2             | Q3             | Q4             |
|-------|------------------|----------------|----------------|----------------|
| 2017  | WCS & SEC<br>4.5 | TEC<br>0.9     | SEC<br>0.1     | TEC<br>0.5     |
| 2018  | WCS & SEC<br>5.0 | TEC<br>0.5     | SEC<br>0.1    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

# Productive Workforce



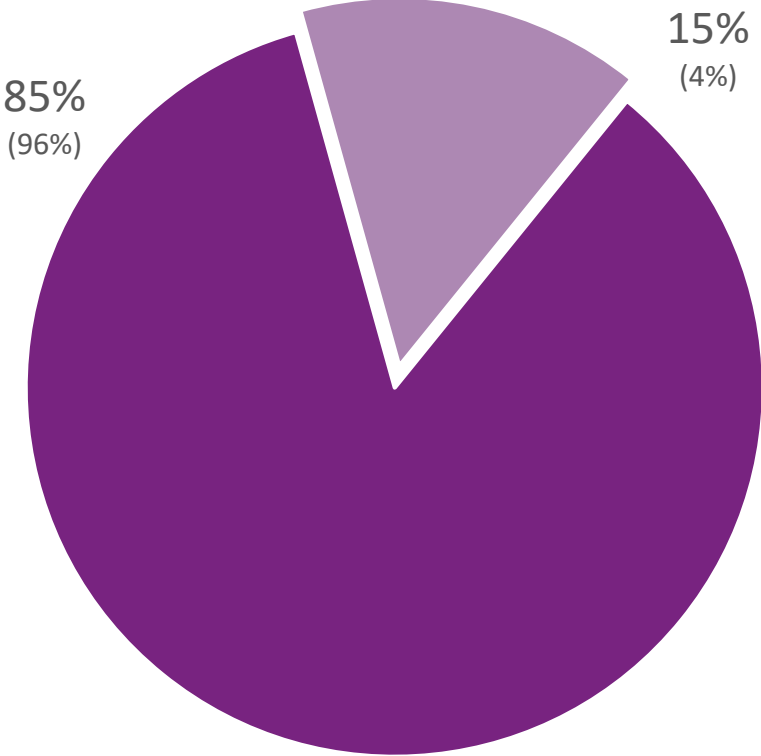
|                          |            |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>PHC (#)</b>           | <b>473</b> | <b>505</b> | <b>561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

## Retention rate<sup>1</sup> Co-Owners



■ Retention

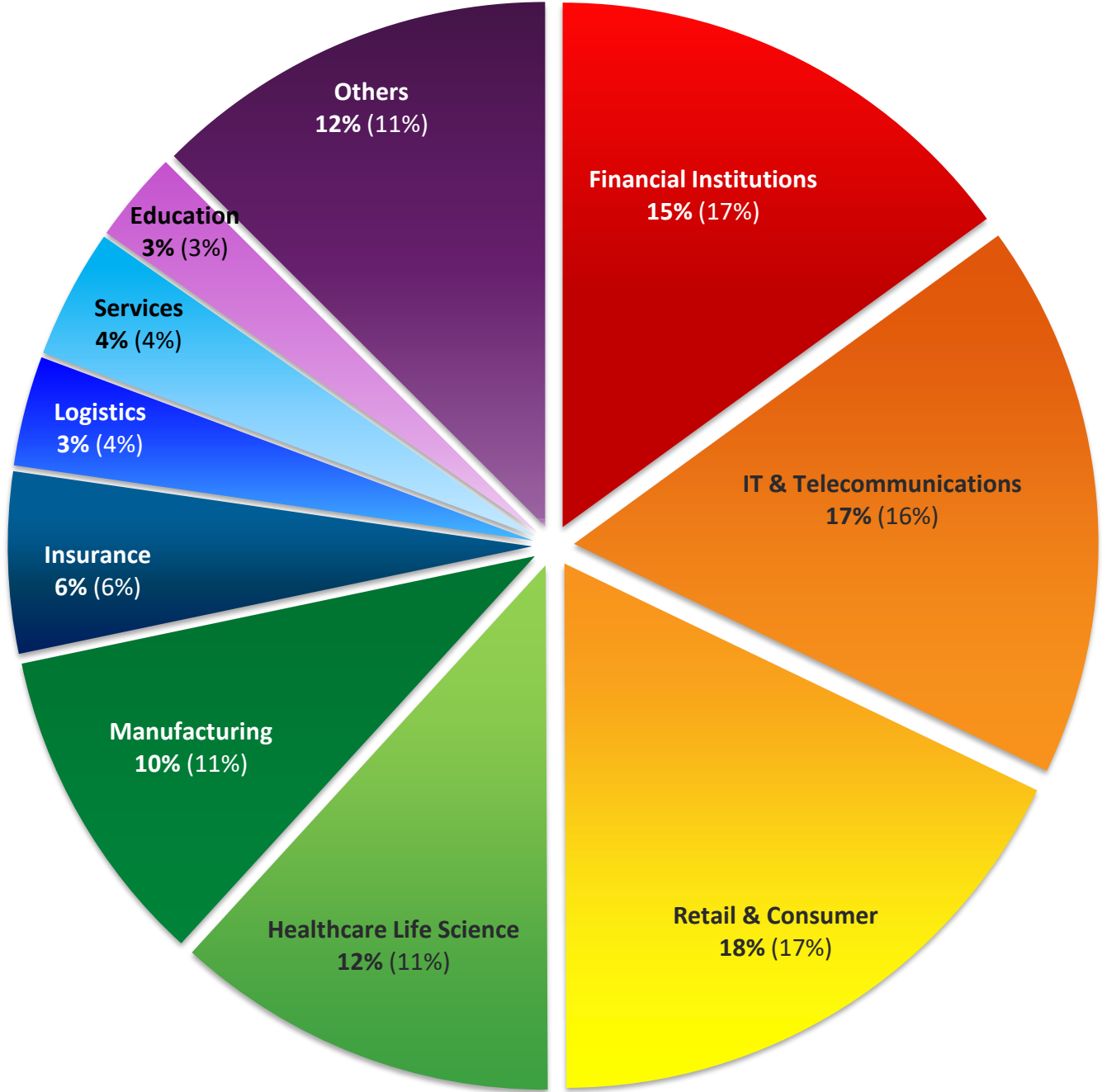
## PHC of retained Co-Owners



■ PHC

Data as of 30 Sep 2019. Notes:  
1. Retention rate for 30 Sep 2019 is an annualised rate.  
2. 123GROW Co-Owners as of 30 Sep 2019: 264 (31 Dec 2018: 301)  
3. % in brackets denotes 31 Dec 2018 figures

# Revenue by Sector for 9M19



(% 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 | 9M19 Revenue Contribution |
|---|----------------|---------------------------|
| <b>Asian Conglomerate</b><br>One of the top 3 largest technology companies globally by revenue, Fortune 100                                     | 1999           | 3.6%                      |
| <b>Singapore Bank</b><br>One of the top 3 largest banks in ASEAN by assets  | 2000           | 3.3%                      |
| <b>Singapore-Headquartered Technology Platform</b><br>Leading technology player in SEA, with presence in 8 countries, over 500 cities and towns | 2014           | 3.0%                      |
| <b>Regional Telco</b><br>One of the top 3 largest telcos in Asia by total wireless subscribers, Fortune 500                                     | 2000           | 2.3%                      |
| <b>European Bank</b><br>One of the top 10 largest bank globally by total assets, Fortune 500  | 2000           | 2.2%                      |
| <b>Contribution from Top 5 clients</b>  |                | 14.4%                     |
| <b>Contribution from Top 10 clients</b>   |                | 20.4%                     |

# 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 reserve                                    | 100                      |
| Committed consideration for M&A and strategic investments  | 5                        |
| Earmarked for investment & expansion plans in the pipeline | 21                       |
|  | <b>126</b>               |

# Balance Sheet Management

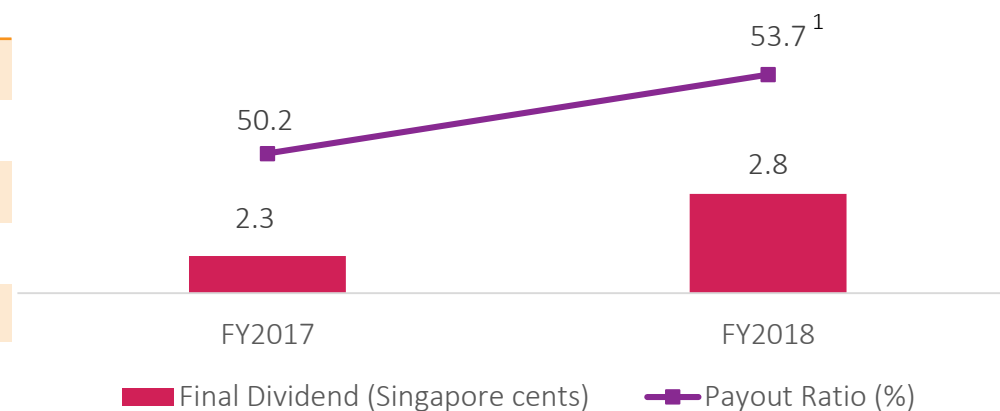
## IPO PROCEEDS of S\$174m

Breakdown of Utilisation

| Items  | Amount (\$m) | Percentage of IPO Proceeds |
|--|--------------|----------------------------|
| IPO & Professional Fees Expenses                           | 9.1          | 5%                         |
| Investments in Strategic Entities                          | 42.8         | 25%                        |
| Investments in Associate Company                           | 55.5         | 32%                        |
| Investments in Organic Subsidiaries                        | 5.6          | 3%                         |
| Paid Consideration for Acquisitions                        | 1.8          | 1%                         |
| Earmarked for Expansion & Investment Plans in the Pipeline | 26.4         | 15%                        |
| <b>Total Utilised &amp; Earmarked</b>                      | <b>141.2</b> | <b>81%</b>                 |

## CORE DIVIDEND PRACTICE

To maintain a 50% payout ratio, based on NPAT



1. Derived based on 50% of "Normalised NPAT", which excludes unrealised gain / (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

| <b>Number of Treasury Shares</b>                                      | <b>2018</b>       | <b>9M19</b>       |
|---|-------------------|-------------------|
| Opening balance   | -                 | 5.6m              |
| Shares repurchased  | 7.6m<br>(S\$6.6m) | 0.5m<br>(S\$0.3m) |
| Re-issued mainly in pursuant to bonus shares vested for 123GROW plans | 2.0m<br>(S\$1.7m) | 1.8m<br>(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

# Staffline Financial Update

| Revenue      | 1H2019<br>GBP m |
|--------------|-----------------|
| Recruitment  | 493.2           |
| PeoplePlus   | 41.4            |
| <b>Total</b> | <b>534.6</b>    |

| Gross profit | 1H2019<br>GBP m |
|--------------|-----------------|
| Recruitment  | 35.7            |
| PeoplePlus   | 9.3             |
| <b>Total</b> | <b>45.0</b>     |

| Adjusted EBIT | 1H2019<br>GBP m |
|---------------|-----------------|
| Recruitment   | 4.6             |
| PeoplePlus    | (0.9)           |
| <b>Total</b>  | <b>3.7</b>      |

**Staffline's Board expects adjusted EBIT to be approximately GBP20m for 2019**

## Staffline

Specialises in providing complete and flexible labour solutions in the agriculture, food processing, manufacturing, e-retail, driving and logistics sectors.

### Key Statistics

*Sites in UK and Ireland*  
463

*Workforce everyday (at peak)*  
60,300

*Increase in website candidate applications*  
120%

*Share of recruitment market*  
11%

## PeoplePlus

People Skills Jobs

Leading adult skills and training provider in the UK, delivering apprenticeships, adult education, prison education and skills-based employability programmes across the country, with an objective to build competencies and create a skilled workforce.

### Key Statistics

*Share of Apprenticeship Levy Market*  
10%

*Share of prison education market*  
25%

*Number of jobseekers helped over the Work Programme Life*  
460,000

# HeaRtBeats

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



## CANDIDATES

- Launched in January 2019, we have achieved close to 30% response rate as of end 3Q 2019
- NPS\* of 73
- Average rating of 9.37, with 76% of respondents giving us a perfect score of 10

## CLIENTS

- Launched in April 2019, we have obtained an encouraging 16% response rate
- NPS\* of 38
- Average rating of 7.36, with 61% of respondents giving us a perfect score of 10

Notes:

\*Net Promoter Score.

- Data based on feedback collected from 1 Jul to 30 Sep 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>)

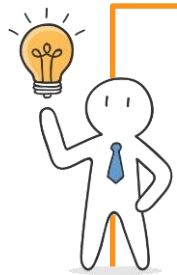
# Meet ELLA – Our e-LA Module

The official “BOND” between the candidates and us.

- Officially launched on 1 July 2019, ELLA leverages on the trend of going “mobile” – signing on the GO!
- Candidates can digitally sign on electronic letters of appointment via their mobile devices, enter their particulars and upload their identification documents.

## THE BENEFITS

- Saves **TIME** – For both the candidates and our consultants.
- Save the **EARTH & MONEY** – less printing, less paper used, less carbon footprint. Digital documents also means less space required and less money spent on storage.
- An **easy and seamless process** for everyone



In Q3 alone, **91% of our letter of appointments were generated electronically via ELLA.** Of which, **72% were signed electronically.** This equates to **more than a thousand candidates' trips saved and approximately 250 man-hours\*** saved on our end to meet up with the candidates and manually processing the data!

Notes:

\*Based on an estimate of 15 minutes taken to meet candidates and process the signed LAs. Data based on statistics collected from the RecruitFirst entities.



# HRnetGroup

[www.hrnetgroup.com](http://www.hrnetgroup.com)

## IR Contact

391A Orchard Road, Ngee Ann City Tower A  
Unit #23-03 Singapore 238873

TEL +65-6730-7855

EMAIL [ir@hrnetgroup.com](mailto:ir@hrnetgroup.com)