



HRnetGroup

1Q19 RESULTS ANNOUNCEMENT
10 May 2019



Disclaimer

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Snapshot of 1Q19 Results



Top Lines

Revenue

S\$104.0m

down 2.8%

(1Q18: S\$107.0m)



Record Profits

NPAT

S\$20.2m

up 16.9%

(1Q18: S\$17.3m)



Record High



Business Volume

Contractor
Employees

11,920

up 320 (2.8%)

(1Q18: 11,600)

Gross Profit

S\$35.4m

down 2.8%

(1Q18: S\$36.4m)

PATMI

S\$19.3m

up 18.5%

(1Q18: S\$16.3m)



Record High

Placements

1,994

down 69 (3.3%)

(1Q18: 2,063)

Efficiency Ratio
(EBITDA/GP)

64.5%

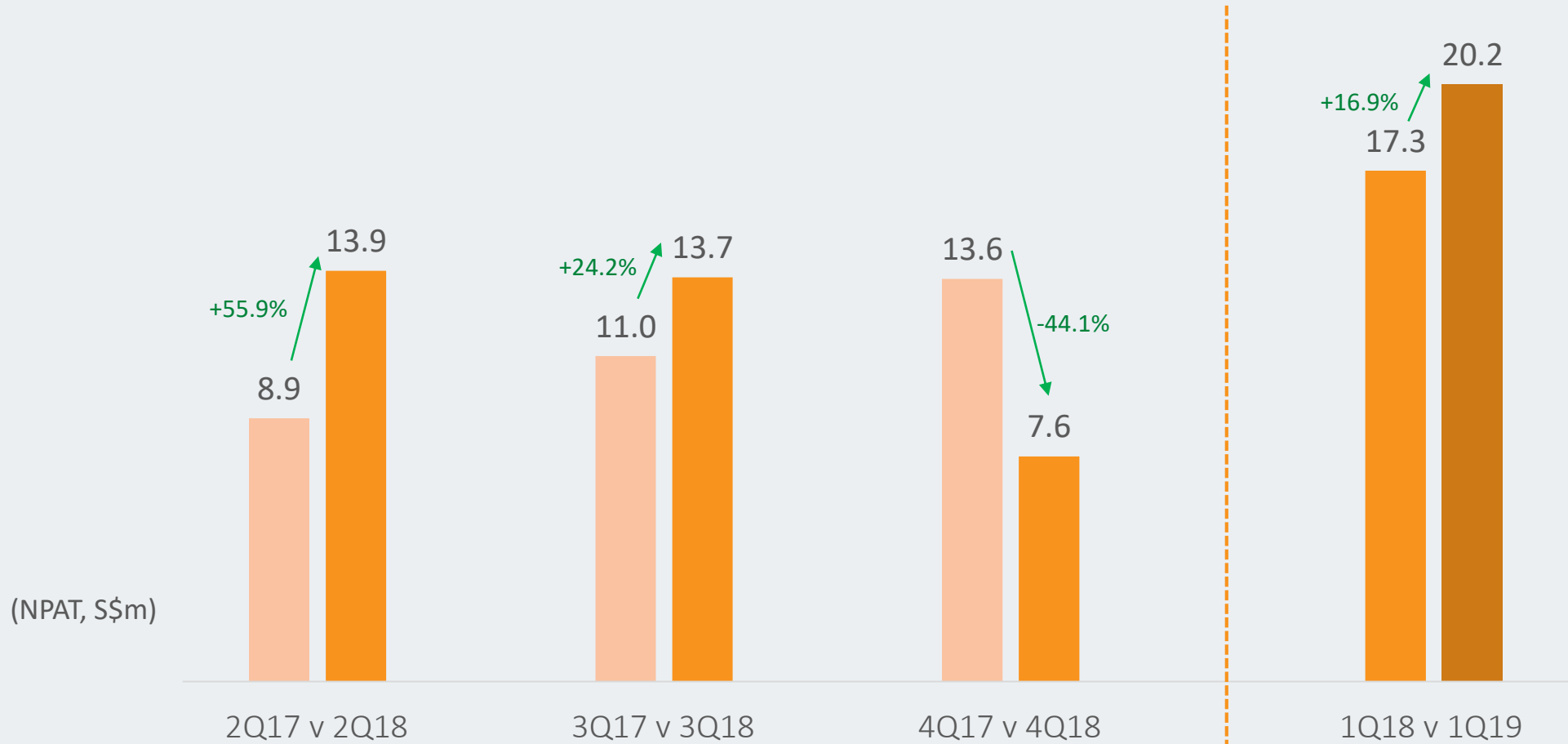
up 10.6% points

(1Q18: 53.9%)



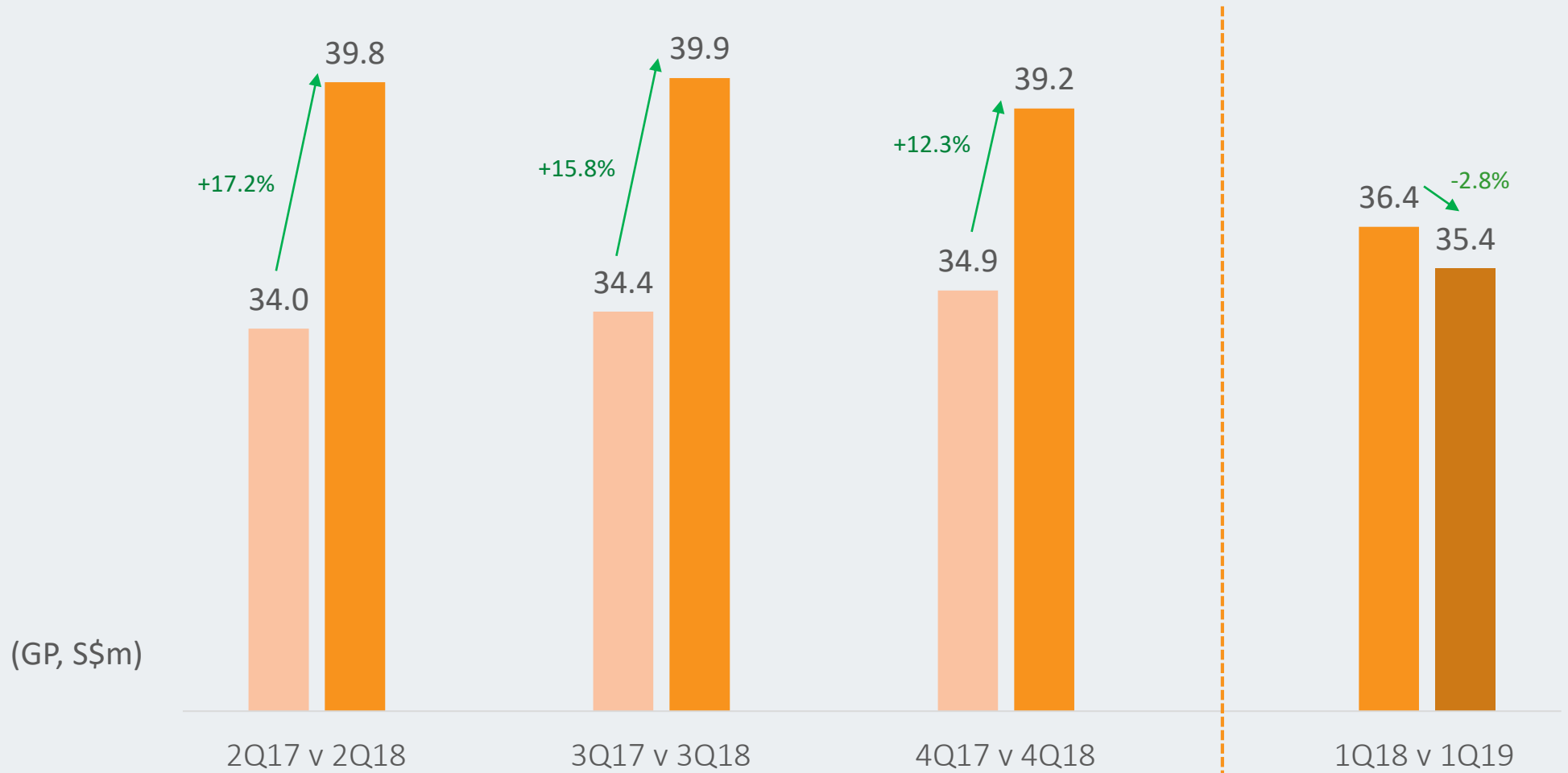
Record High

Quarterly Net Profit – Positive Start to the Year



| NPAT Margin | 2Q | 3Q | 4Q | 1Q |
|-------------|-------|-------|-------|-------|
| 2017 | 9.1% | 11.3% | 13.4% | - |
| 2018 | 12.9% | 13.0% | 7.0% | 16.1% |
| 2019 | - | - | - | 19.4% |

Quarterly Gross Profit – Stable GP Margin



| GP Margin | 2Q | 3Q | 4Q | 1Q |
|-----------|-------|-------|-------|-------|
| 2017 | 34.9% | 35.3% | 34.3% | - |
| 2018 | 36.9% | 38.0% | 36.1% | 34.1% |
| 2019 | - | - | - | 34.1% |

Snapshot of Financial Performance

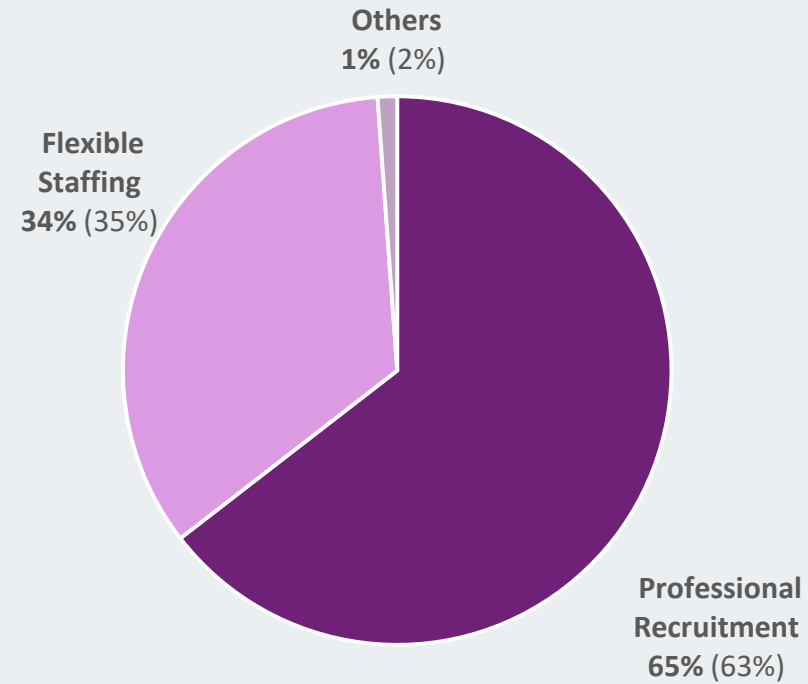
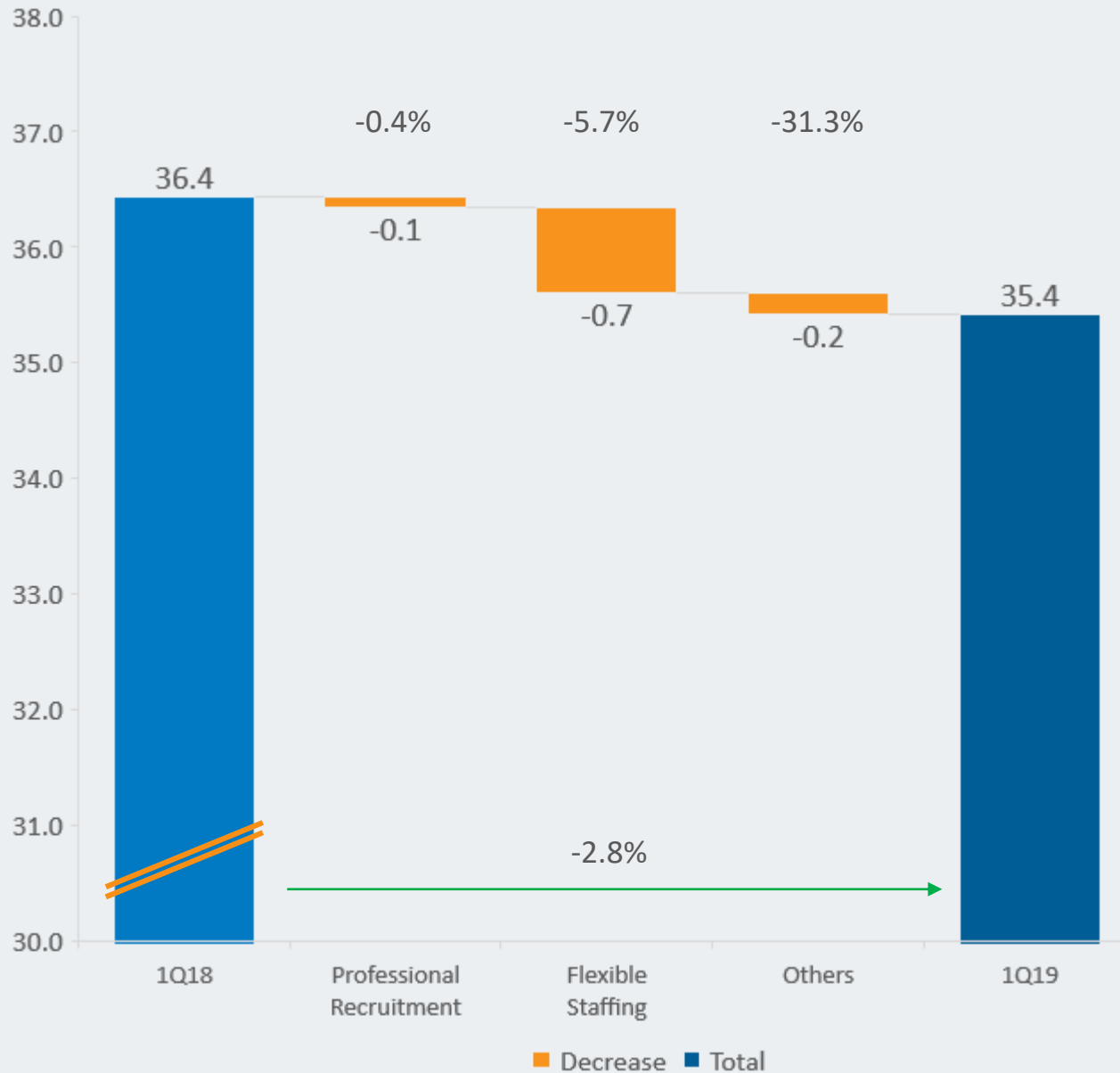
| | 1Q19 | 1Q18 | Change |
|---|--------------|--------------|-------------|
| PROFIT & LOSS | S\$'m | S\$'m | % |
| Revenue | 104.0 | 107.0 | (2.8) |
| Gross profit | 35.4 | 36.4 | (2.8) |
| Other income | | | |
| <i>Government subsidies</i> | 4.5 | 5.0 | (10.9) |
| <i>Unrealised gain on revaluation of other financial assets</i> | 4.4 | 0.8 | >100 |
| <i>Others</i> | 2.3 | 0.8 | >100 |
| Expenses | | | |
| <i>Employee benefit expenses</i> | (18.4) | (18.8) | (2.0) |
| <i>Facilities and depreciation expenses</i> | (2.9) | (2.6) | 11.3 |
| <i>Selling expenses</i> | (1.1) | (0.8) | 40.3 |
| <i>Other expenses</i> | (0.5) | (0.7) | (12.7) |
| <i>Finance costs¹</i> | (0.1) | - | n.m. |
| Profit before tax | 23.6 | 20.1 | 16.9 |
| Income tax | (3.4) | (2.8) | 17.2 |
| Profit after tax | 20.2 | 17.3 | 16.9 |
| PATMI | 19.3 | 16.3 | 18.5 |
| KEY FINANCIAL RATIOS | | | |
| Earnings per share (EPS) (cents) | | | |
| <i>Basic</i> | 1.92 | 1.61 | |
| <i>Diluted</i> | 1.91 | 1.60 | |
| Efficiency Ratio (%) (EBITDA / GP) | 64.5 | 53.9 | |

1. Implied interest expense on lease commitments

Gross Profits for the Quarter

(GP, S\$m)

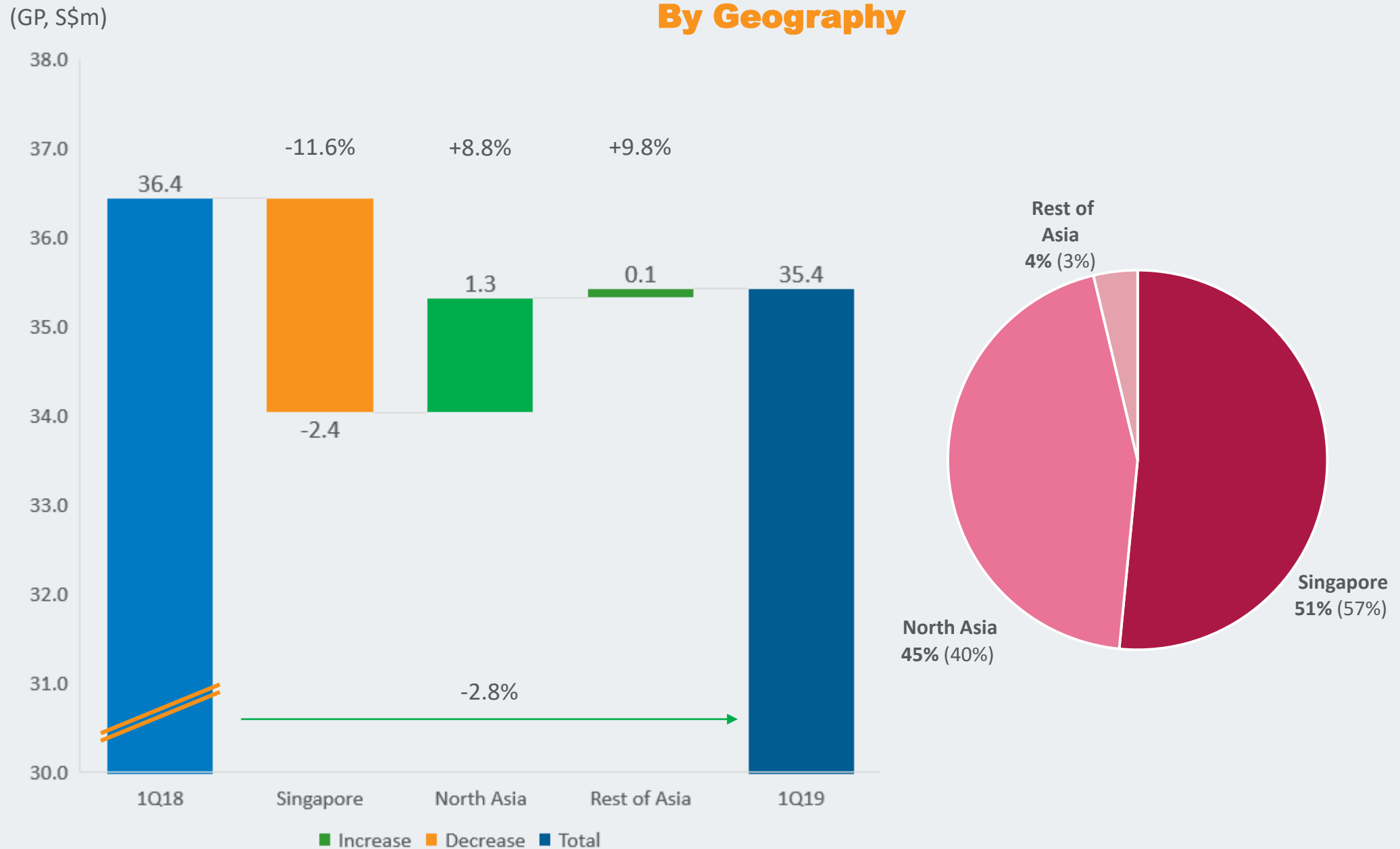
By Business Segments



(% in brackets denotes 1Q18 figures)

Gross Profits for the Quarter

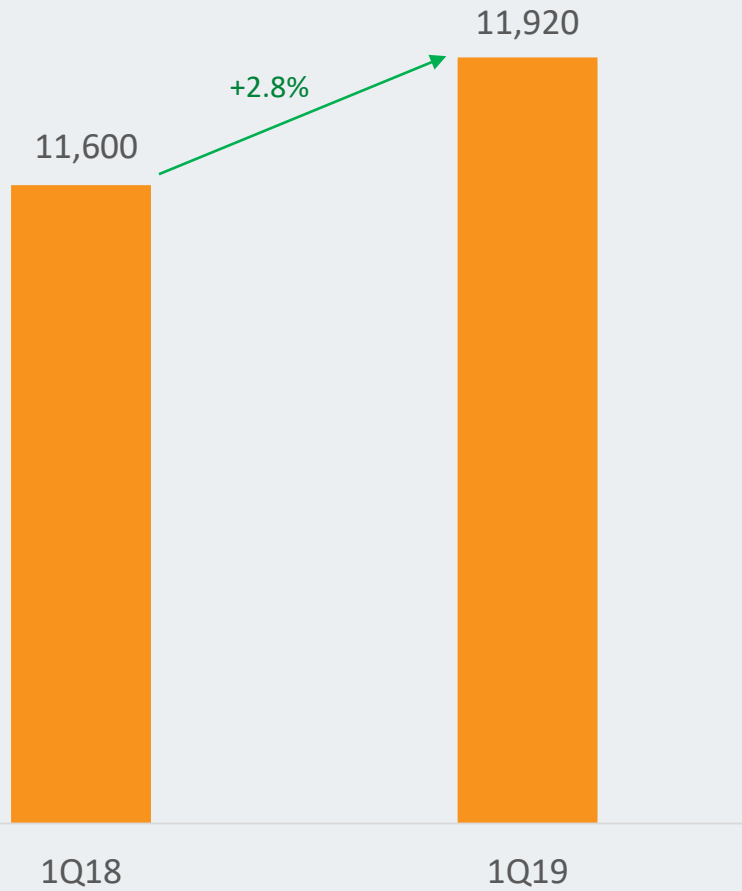
By Geography



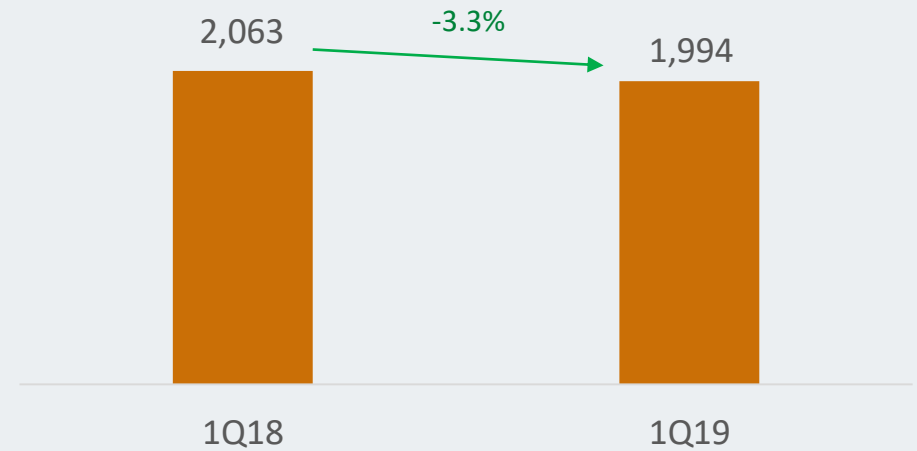
(% in brackets denotes 1Q18 figures)

Stable underlying Business Momentum

Monthly Average Number of Contractor Employees managed by us



Placements



Strong Balance Sheet for Expansion

| | 31 Mar 2019 | 31 Dec 2018 | Change |
|--|--------------|--------------|-------------|
| | S\$'m | S\$'m | S\$'m |
| Cash | 304.5 | 281.8 | 22.7 |
| Trade Receivables | 77.5 | 81.3 | (3.8) |
| Other Financial Assets | 28.1 | 28.3 | (0.2) |
| Right-of-use Assets ¹ | 13.3 | - | 13.3 |
| Goodwill | 12.3 | 12.3 | - |
| Other Assets | 12.3 | 11.6 | 0.7 |
| Total Assets | 448.0 | 415.3 | 32.7 |
| Debt | - | - | - |
| Trade and Other Payables | 42.0 | 45.8 | (3.8) |
| Deferred Considerations | 13.6 | 13.4 | 0.2 |
| Lease Liabilities ¹ | 13.3 | - | 13.3 |
| Tax Payable and Deferred Tax Liabilities | 13.5 | 11.3 | 2.2 |
| Total Equity | 365.6 | 344.8 | 20.8 |
| Total Liabilities & Equity | 448.0 | 415.3 | 32.7 |
| NAV | 352.7 | 333.3 | 19.4 |
| NTA | 338.0 | 318.6 | 19.4 |
| Receivables Turnover (Days) | 69 | 69 | |

1. Relates to long-term office leases commitments.

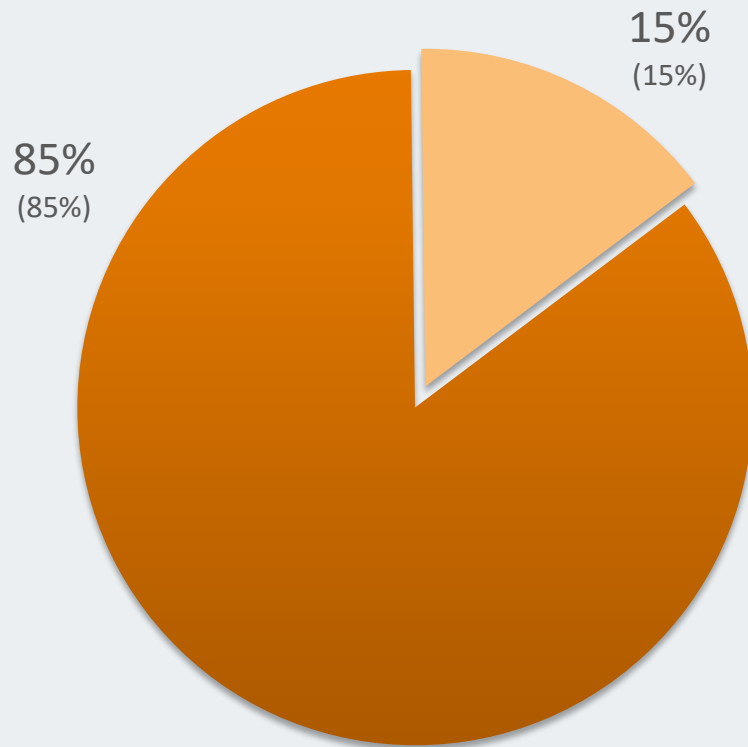


Wage Credit Scheme (WCS)

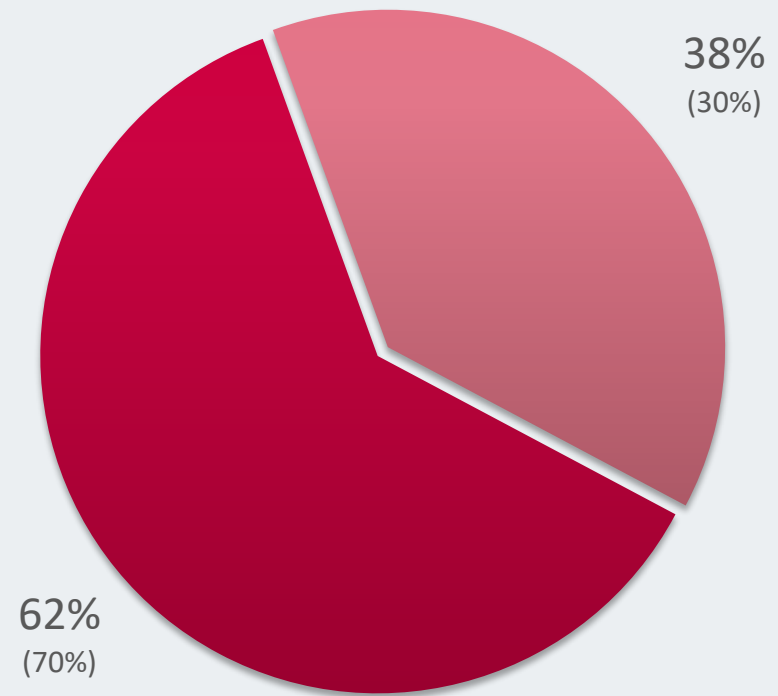
- Government co-funding was maintained at 20% for 2018, which was received in 2019. Subsequently, the co-funding ratio will be stepped down to 15% in 2019 (to be received in 2020) and 10% in 2020 (to be received in 2021).

| S\$'m | Q1 | Q2 | Q3 | Q4 |
|-------|------------------|----------------|----------------|----------------|
| 2017 | WCS & SEC 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 | To receive | - |
| 2020 | To receive | - | To receive | - |
| 2021 | To receive | - | No more payout | - |

Sales Employees



Productive HeartCount (PHC)¹



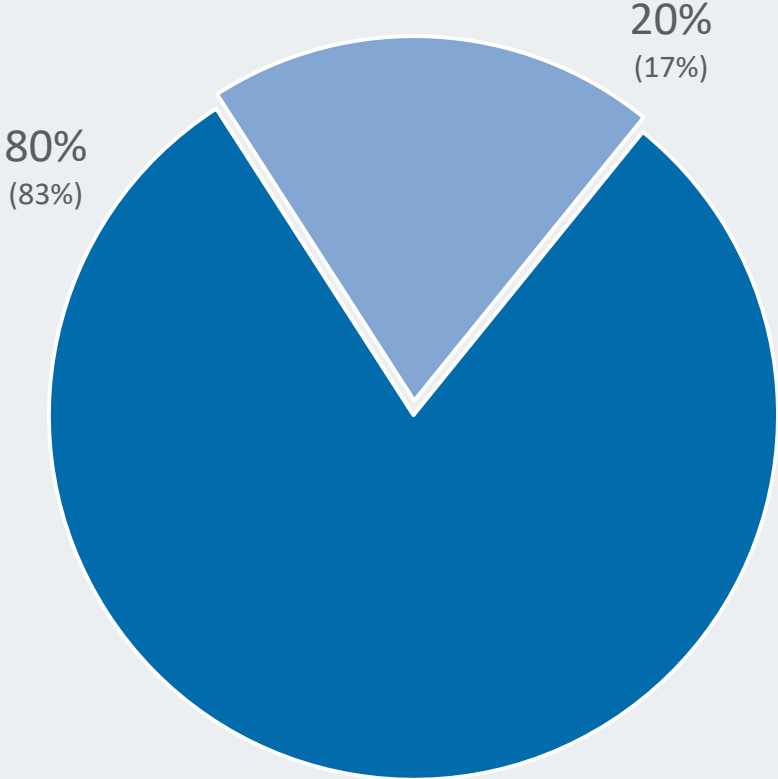
■ Sales Employees

■ PHC

Permanent employees: 905 (1Q18: 791)

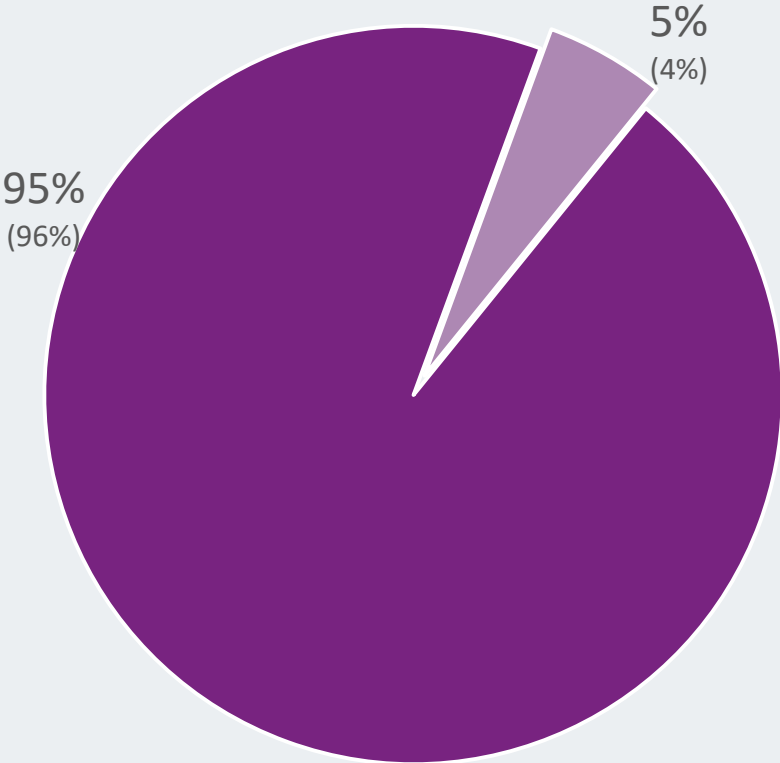
1. Productive heartcount is defined as sales people who achieves gross profit of 3 times his payroll costs.
2. % in brackets denotes 1Q18 figures

Retention rate¹ Co-Owners



■ Retention

PHC of retained Co-Owners



■ PHC

Notes:

- 1. Retention rate for 31 Mar 2019 is an annualised rate.
- 2. 123GROW Co-Owners as of 31 Mar 2019: 286 (31 Dec 2018: 301)
- 3. % in brackets denotes 31 Dec 2018 figures

Higher Profitability Potential with a Higher Efficiency Workforce

| | | 1Q19 | 1Q18 | Change |
|----------------------------------|--------------------------|--------|--------|--------|
| | <i>Excluding M&A</i> | | | |
| Revenue/Sales Employees (\$'000) | 144.6 | 135.0 | 158.2 | -14.7% |
| | ↑ -8.6% | | | |
| GP/Sales Employees (\$'000) | 48.3 | 46.0 | 53.9 | -14.7% |
| | ↑ -10.4% | | | |
| | | Mar-19 | Mar-18 | |
| Total Employees | | 1,123 | 1,066 | |
| Perm Employees | | 905 | 791 | |
| <i>Singapore</i> | | 333 | 352 | |
| <i>North Asia</i> | | 471 | 355 | |
| <i>Rest of Asia</i> | | 101 | 84 | |
| Temp/Contract | | 218 | 275 | |
| Sales Employees | | 770 | 676 | |
| % Sales Employees | | 85 | 86 | |
| Productive Sales Employees | | 475 | 473 | |
| % Productive Sales Employees | | 62 | 70 | |
| <i>Singapore</i> | | 74 | 77 | |
| <i>North Asia</i> | | 57 | 68 | |
| <i>Rest of Asia</i> | | 48 | 49 | |

An online portal that allows clients and candidates to indicate their level of satisfaction after interacting with our consultants.

Overall Zoe Peng did a great job! Professional, clear clarification, and timely notification!

Catherine provides clear and detail explanations. Her persistence to meet candidates before profiling/interview shows that she is highly committed

Kenny is very responsive. He is earnest and makes candidates like us feel at ease.

It was a good first conversation with Magen I felt very comfortable with the level of transparency she provided.

Jo was straight to the point, honest and easy to talk to. An effective communicator!

I had Great experience with Winnie Cheng. She is very cooperative and explained very clearly about the job process.

It was a very good experience to have this interview with Grace who is really professional. Thank you!

Gloria Huang commitment and attention to detail is simply amazing. I am very impressed with her professionalism.

4 new Co-Owner leaders in... SHANGHAI & TAIPEI



Annie Zhang
RecruitFirst Shanghai



Jway Zhu
RecruitFirst Shanghai



John Lee
RecruitFirst Taiwan



Benny Chang
RecruitFirst Taiwan

Organic Growth

Expansion of the *RecruitFirst* brand into 3 cities



KUALA LUMPUR

Incorporated RecruitFirst Staffing Services Sdn Bhd and Agensi Pekerjaan RecruitFirst and commenced operations on 1 Jan. This business unit is headed up by our existing Co-Owner Daniel Choong



SHANGHAI

Commenced operations on 1 Apr. It is headed up by our Co-Owner Annie Zhang



TAIPEI

Preparations are on track for the rebranding of our flexible staffing business in Taipei, an initiative to streamline our operations and leverage on the strength of the RecruitFirst brandname. The business unit will be headed up by our Co-Owner John Lee.



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 |
| Proposed dividend payment | 28 |
| Committed consideration for M&A and strategic investments | 14 |
| Earmarked for expansion plans in the pipeline | 14 |
| | 156 |

Balance Sheet Management

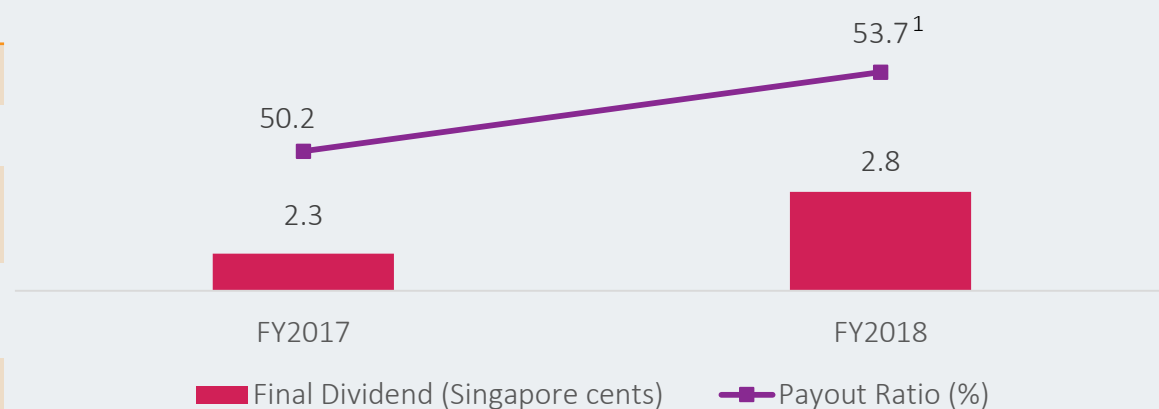
IPO PROCEEDS of S\$174m

Breakdown of Utilisation

| Items | Percentage of IPO Proceeds |
|--|----------------------------|
| IPO & Professional Fees Expenses | 5% |
| Investments in Strategic Entities | 18% |
| Invested & Committed Investments in Organic Subsidiaries | 2% |
| Paid & Committed Consideration for Acquisitions | 5% |
| Earmarked for Expansion & Investment Plans in the Pipeline | 12% |
| Total Utilised & Earmarked | 42% |

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.



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