

HRnetGroup

OUR GROWTH STORY

2 MAY 2024

Now that we have walked out of the pandemic, some investors suggested that we look back on a longer horizon at our pre and post Covid performance in order to appreciate the experience of the last 6 years, the features of our organisation and have view of what the future could look like. 温故知新.

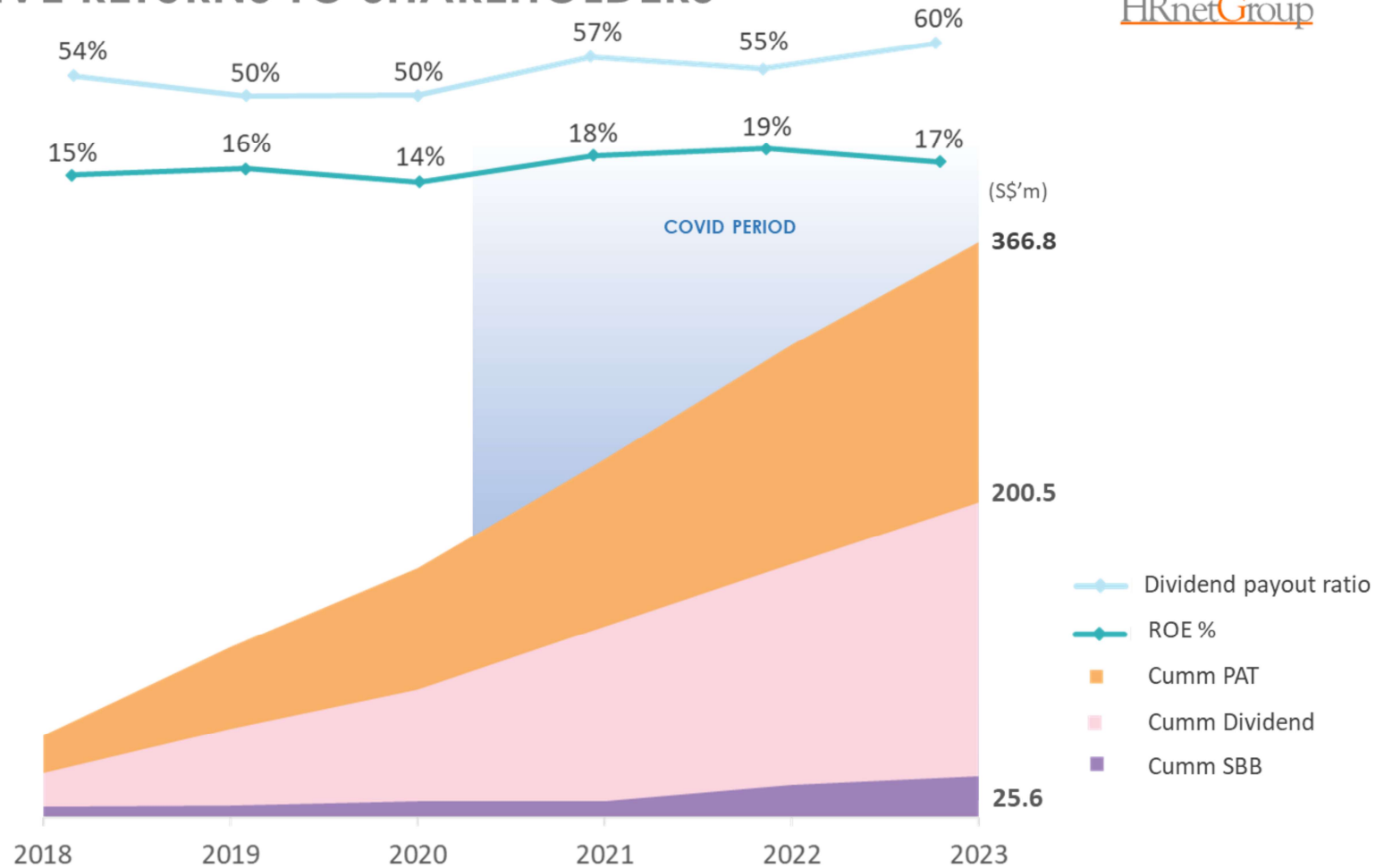
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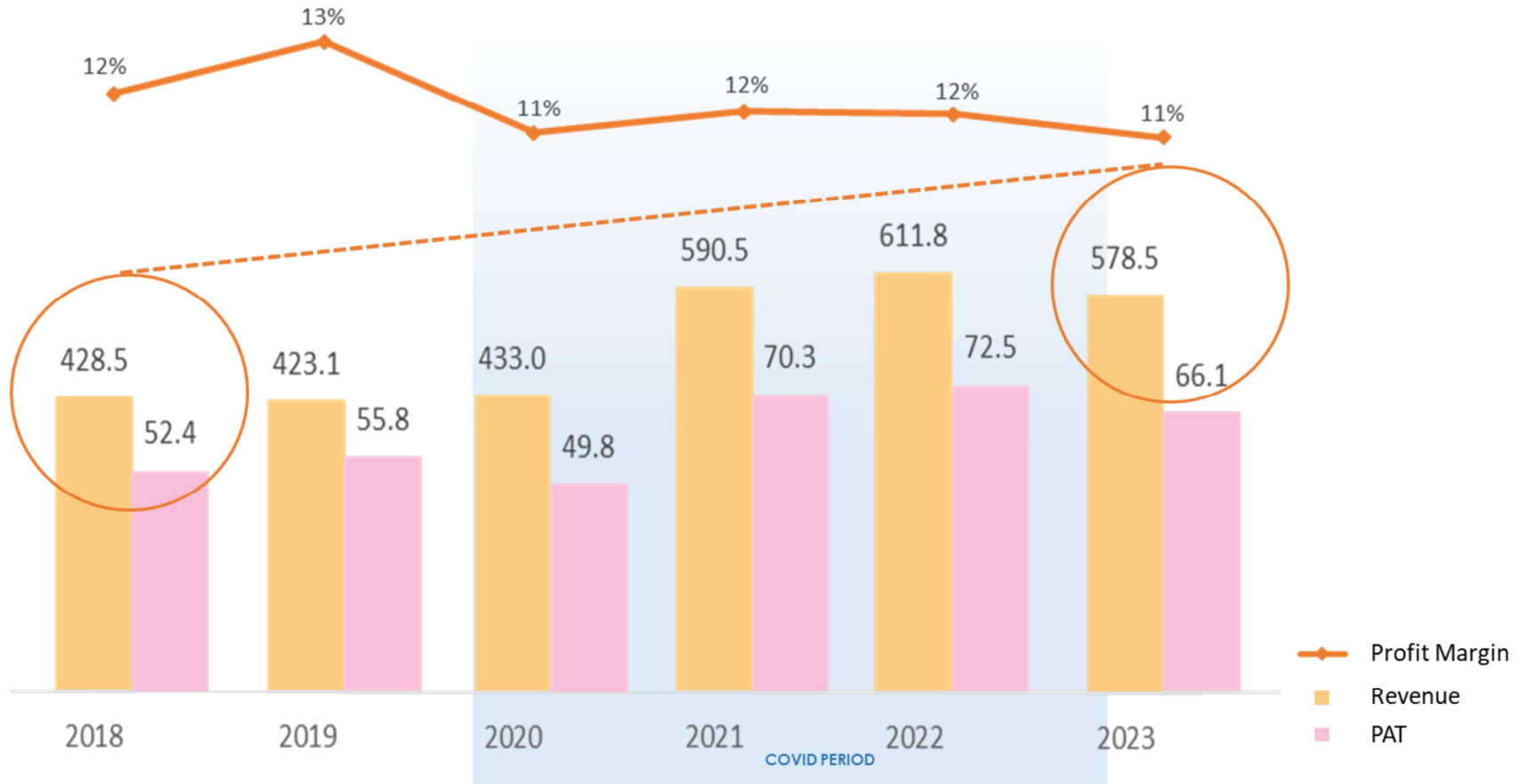
PROGRESSIVE RETURNS TO SHAREHOLDERS



Many of our investors have experienced the Progressive Returns that HRnetGroup has brought. In the last 6 years, we generated a cumulative NPAT of \$366.8m, distributed \$200.5m as dividends, and returned \$25.6m through Share Buyback. Since 3 years ago, we started twice-a-year interim and final dividend payout. Our ROE has been between 15 to 19%, and our dividend payout averaged 55%. We fully intend to keep the progressive trend.

P&L SURPASSED PRE-COVID LEVELS

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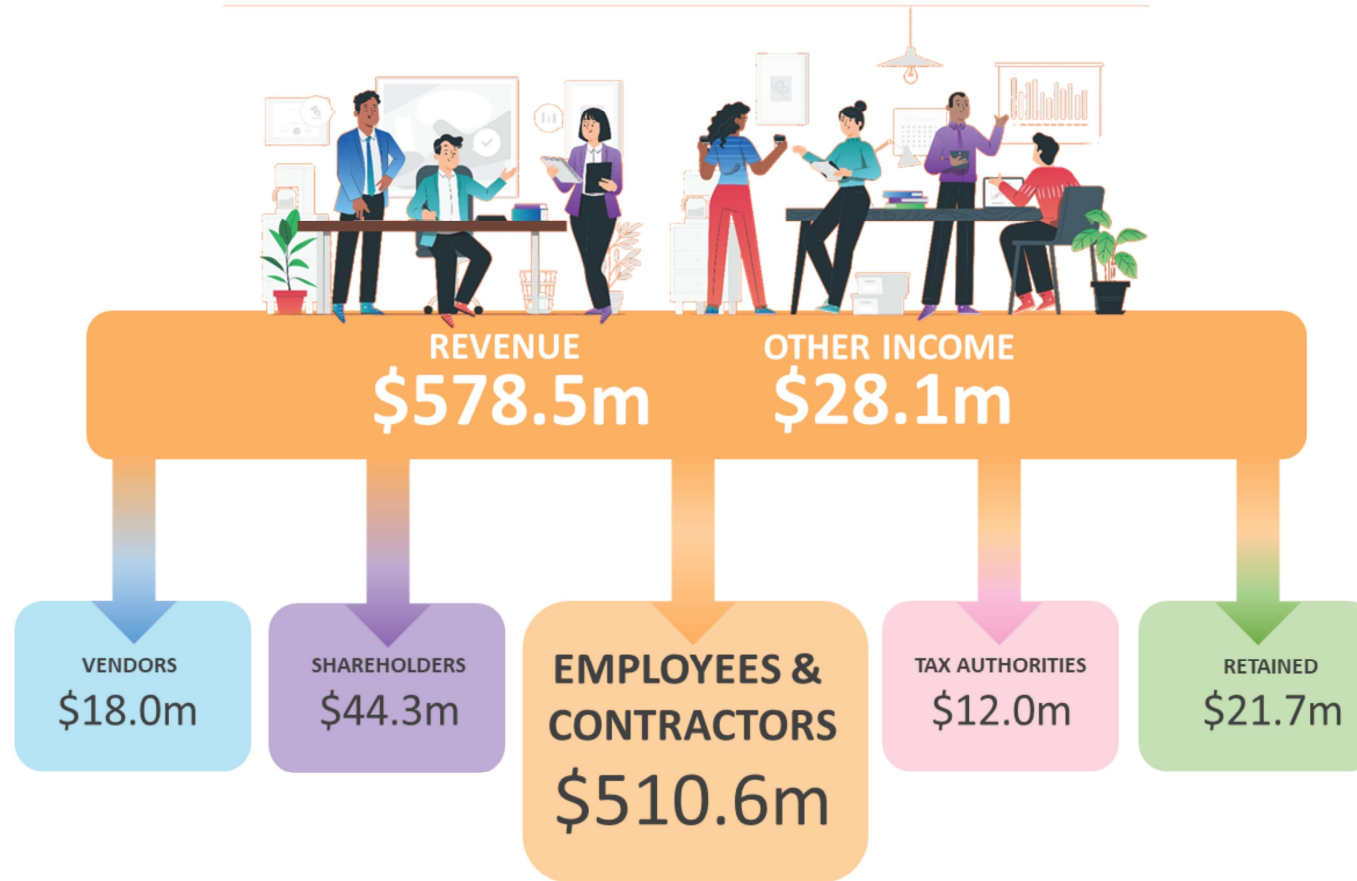


Revenue & PAT charts drawn on different scales

HRnetGroup closed the challenging year of 2023 with \$578.5m revenue and \$66.1m NPAT. Our Profit margin of 11% is higher than most of our international peers. Whilst these numbers are respectable in the face of the challenging times we are in, we strive to do better.

Back in 2018, we reported Revenue of \$428.5m and in 2022 a new high was recorded, right in the middle of Covid. 2023 revenues easily top Pre-Covid revenues and we saw a similar phenomenon for Profits. NPAT for 2018 was at \$52.4m, reached \$66.1m in 2023 before starting on a new climb again. As was the case in previous crises, we have levelled up and forged ahead each round.

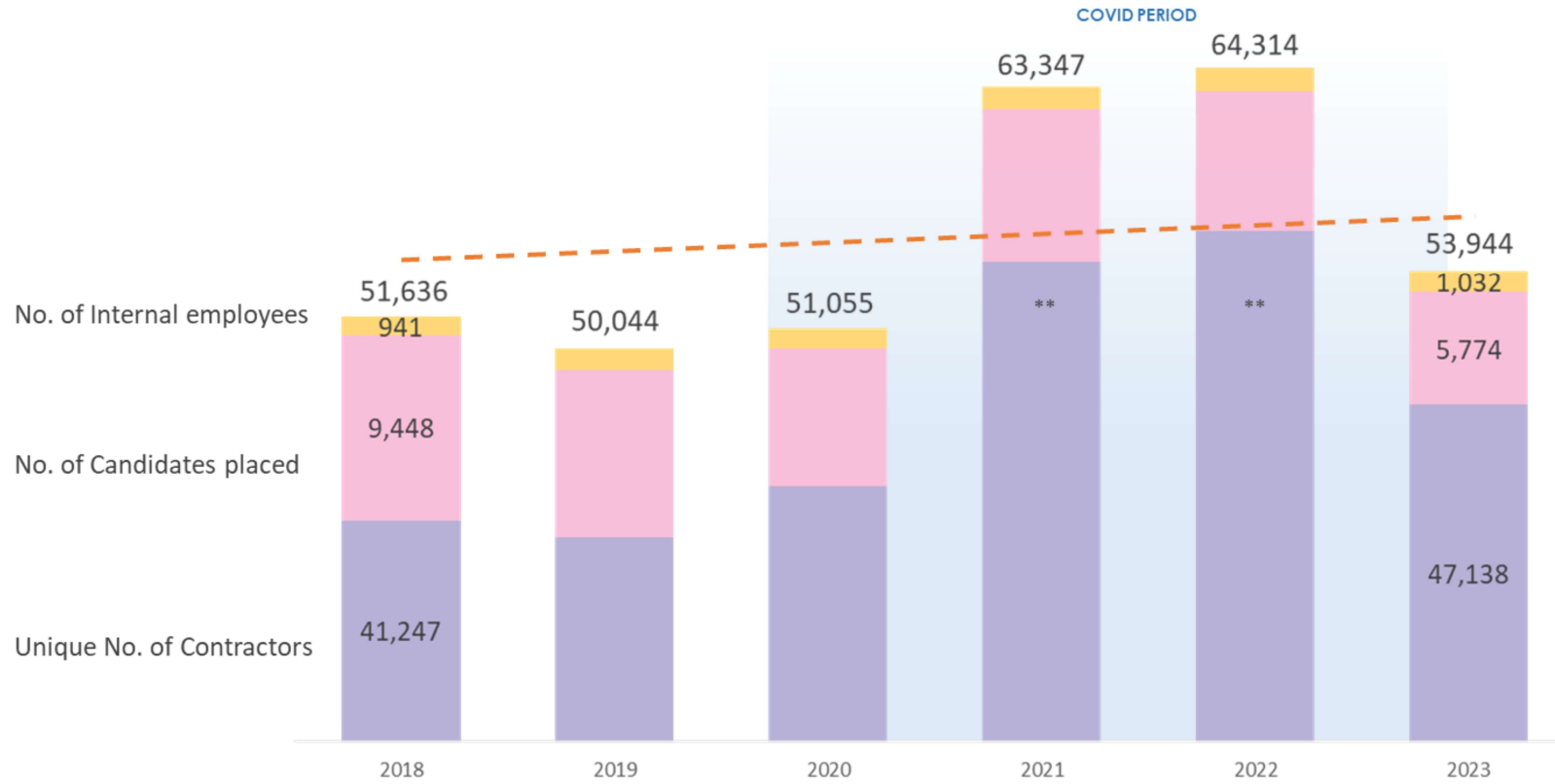
ECONOMIC VALUE GENERATED, DISTRIBUTED & RETAINED



At the crux of it, we are a People Business. For us, the most impactful part of ESG is actually the “S”, our Social contribution to society.

In 2023 we generated Economic value of \$606.6m, which was predominantly Revenue. And then we had \$584.9m distributed amongst various stakeholders including our shareholders, vendors, government. The largest beneficiary received 84% of the distribution were our Employees and Contractors.

IMPACTING LIVES THROUGH JOBS

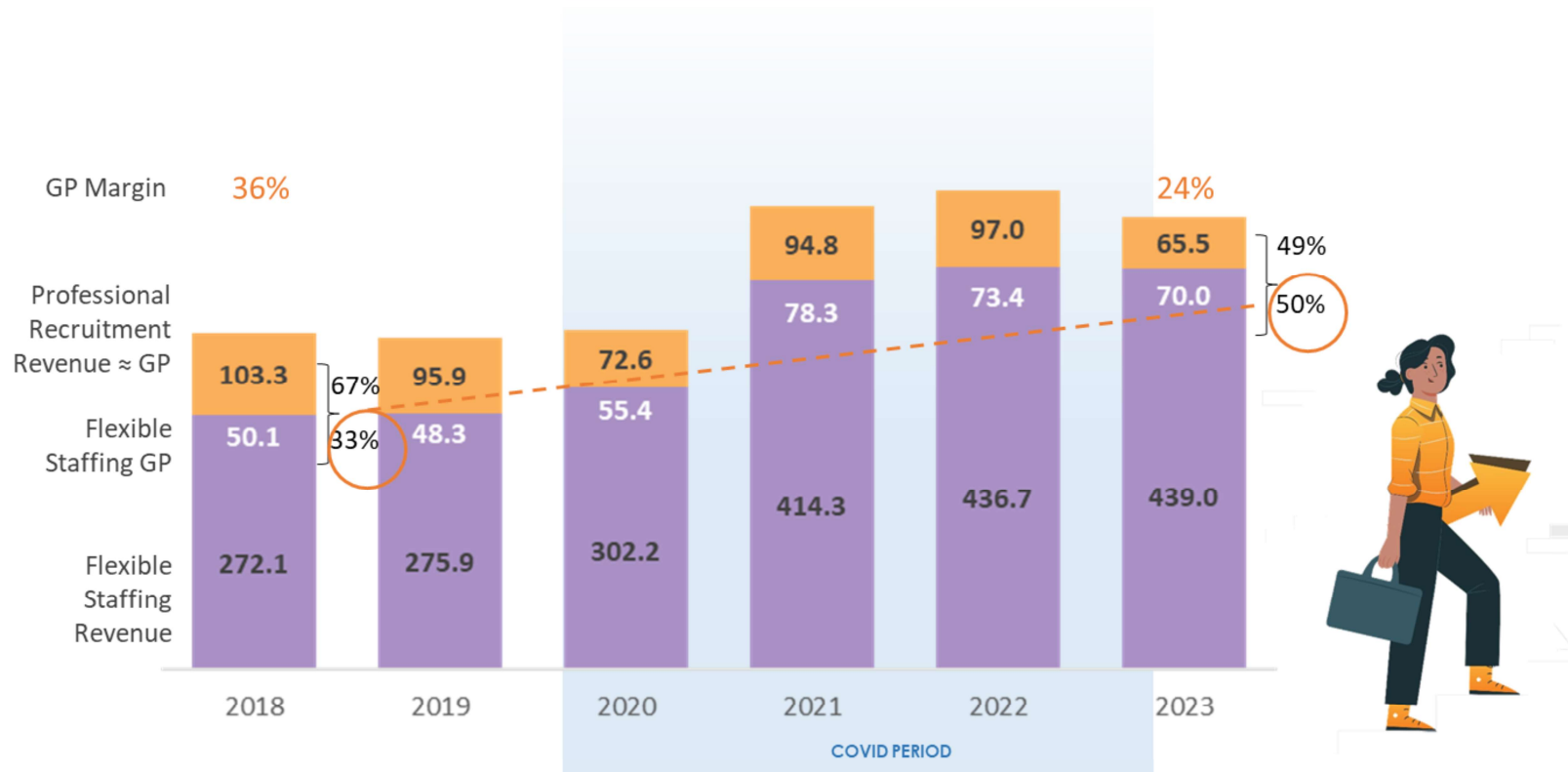


**Includes Contractor headcount for Covid-related work

The Intrinsic Value of our People Business is not just in dollars and cents, but the very livelihood of real people, more and more of them over the years, as many as nearly 54,000 last year, that were impacted by jobs taken up by our employees, contractors and candidates.

EVOLVING BUSINESS MIX WITH MARKET CONDITIONS

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*PR GP is 99% of Revenue; FS GP is 16-19% of Revenue

We have 2 key business segments Flexible Staffing (FS) and Professional Recruitment (PR). PR is a 99% GP margin business, and FS Revenues include payments to our contractors for their work and has about a 15% GP margin. The common denominator of FS and PR is GP.

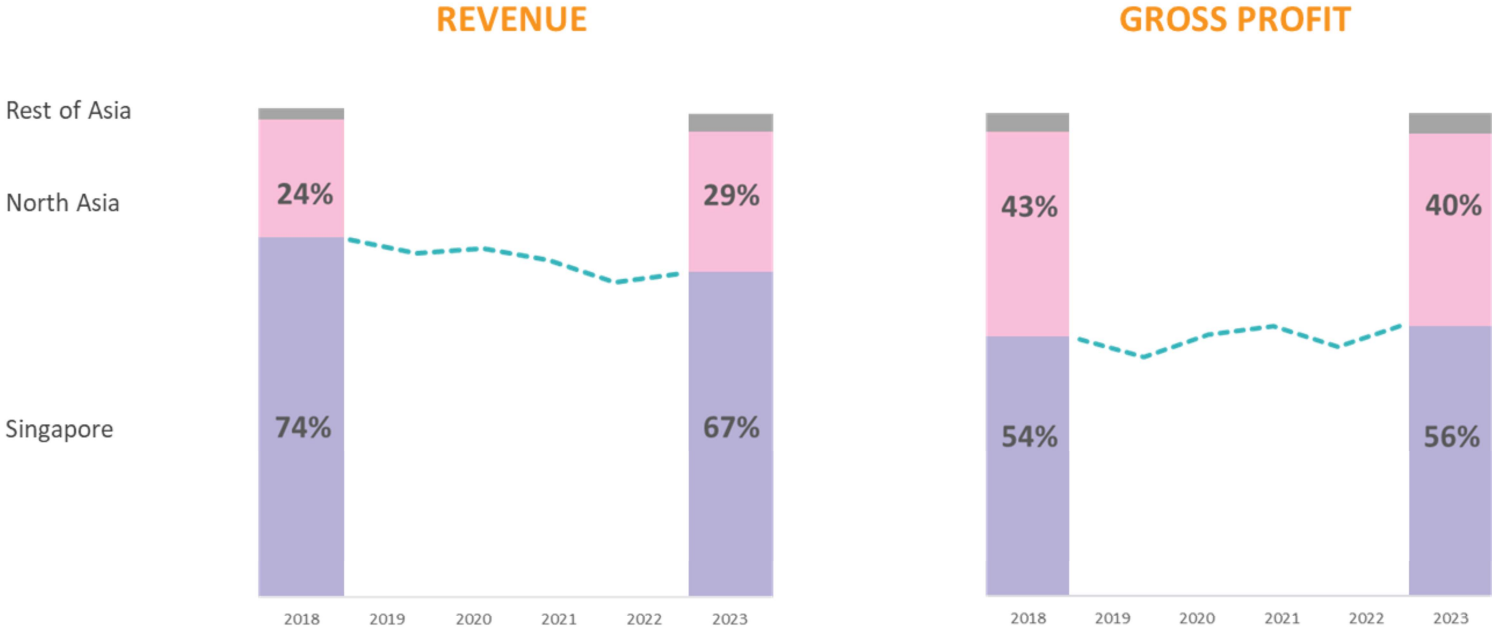
Last 6 years, FS GP has been ramping up while PR saw reductions in the last 3 years. This is a reflection of how we have been evolving with market shifts during volatile and uncertain times.

- From the Demand side, more of our clients turn to FS for the flexibility to access manpower on demand, and pay us to source and carry the headcount, payroll and employer responsibilities.
- From the Supply side, the workforce has also adjusted to short term assignments or going on contract basis as an acceptable and normal mode of working.
- From our business standpoint, FS is recurring in nature and largely counter cyclical. Hence our business in those economies that remain uncertain will tend to skew towards FS.

This is why the proportion of FS GP moved from 33% in 2018 to 50% in 2023.

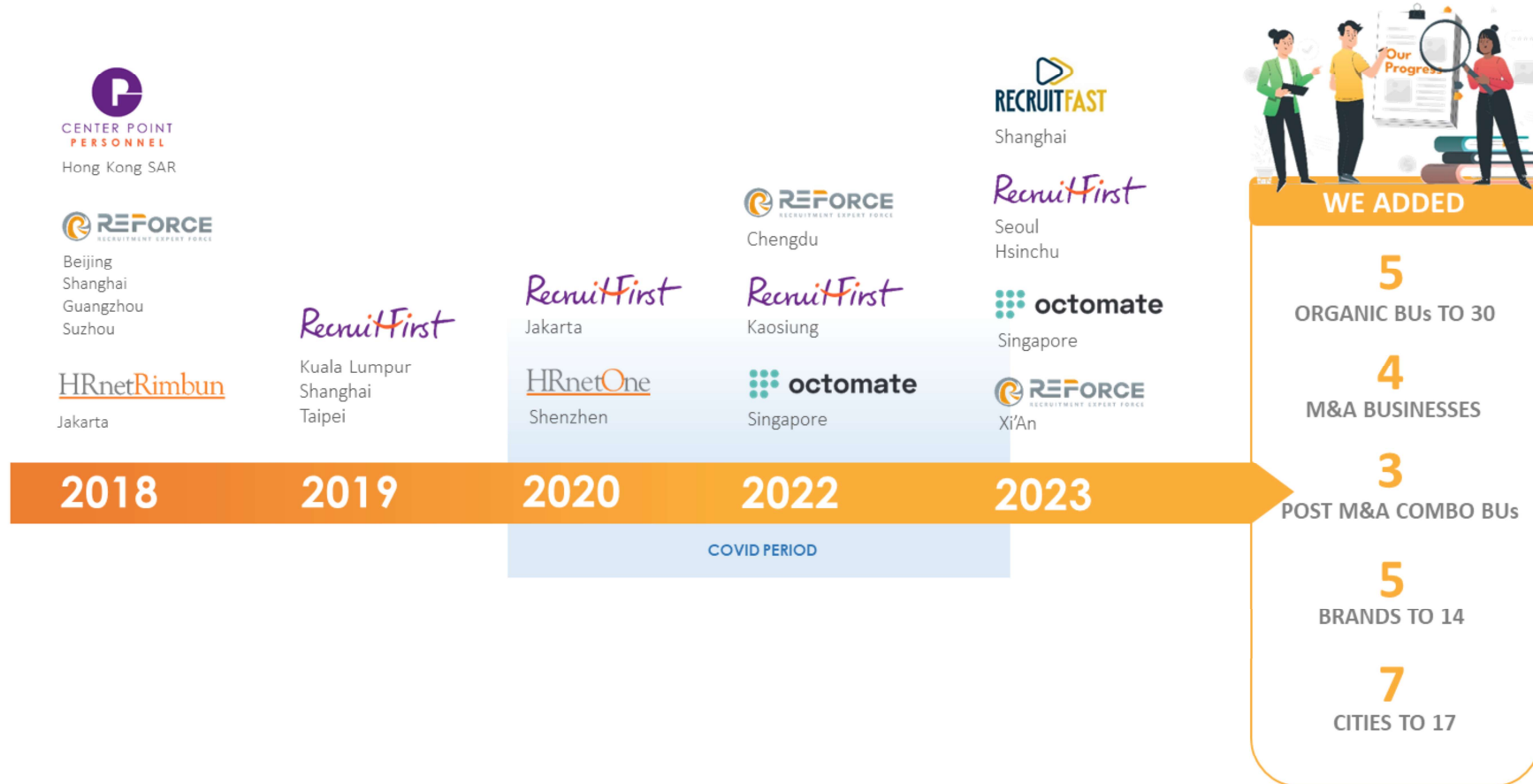
Based on the changes in Business Mix, our blended GP margin therefore shifted from 36% to 24%. Hence the growth in overall revenue and GP has moved towards a volume game through more FS business.

BALANCE & DIVERSIFICATION WITHIN ASIA



Amidst the geo-political tensions, we do the fine balancing and diversification of revenues and GP between SG and North Asia. Singapore and Mainland China are navigating a turbulent patch whereas Chinese Taipei and Indonesia are brighter. Singapore’s economy is so open that anytime there are wars going on in the world, tension, uncertainty, we feel it. But, fundamentally, we believe both countries will emerge out of this cloud. It is a matter of time, and we have to position ourselves for the recovery.

BUILDING & EXPANSION MOVES

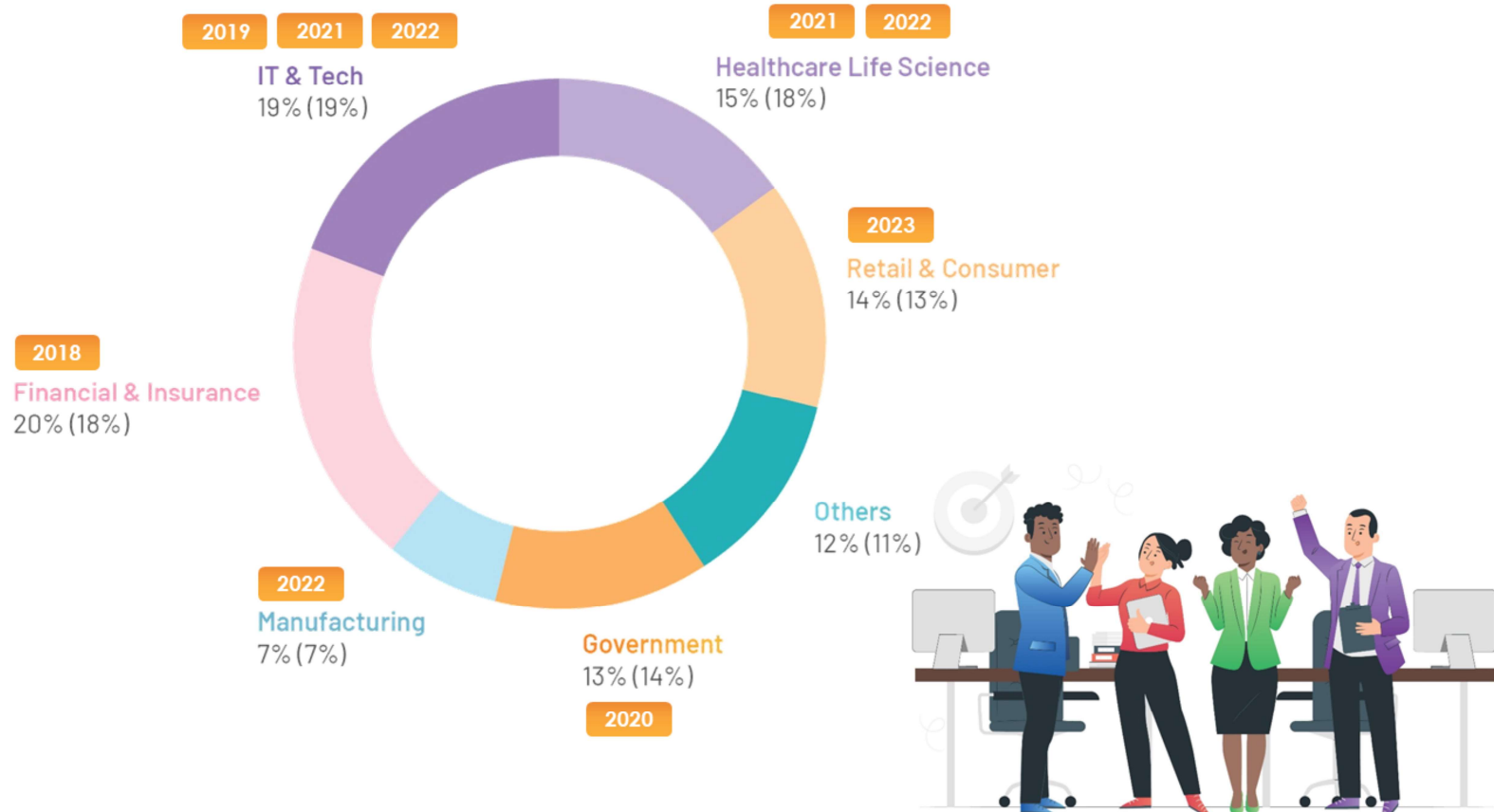


In 2018, we were 25 business units, 9 brands across 10 cities. Over the past 6 years, we have added 5 organic businesses, acquired 4 businesses and co-invested in 3 combo units to bring us to 36 business units, expanded from 9 to 14 brands and grown our network from 10 Asian Cities to 17.

We think of it as having 3 engines for growth - organic start-ups, inorganic acquisitions, and combos - the start-up of new ventures with our inorganic co-owners.

In this way, over the past 6 years, we have seen the organic start-ups of RecruitFirst in Taipei, Kaohsiung, Hsinchu, and Seoul, as well as HRnetOne in Shenzhen, the acquisition of Octomate in Singapore, Center Point Personnel in Hong Kong, REForce in Mainland China and the recently announced, semiconductor-focused AllwaysHRnet in Shanghai, and combos like RecruitFirst Indonesia, Octomate Staffing Singapore and RecruitFast Shanghai.

SECTORAL & SPECIALISATION PIVOTING



2022 figures were restated in brackets

We often get the question as to what the **hot sectors or industries** are, what we refer to as pockets of growth which our recruiters, our consultants will be working on even before you see it in the news.

- In **2018**, that was banking. Everyone wanted their son or daughter to be a banker.
- In **2019**, the flavour of the month was ride-hailing. Uber, Grab, Gojek were taking the world by storm.
- By **2020**, the “hot” industry was safe-distancing. We were deploying safe distancing ambassadors across wet markets in Hong Kong, and pretty much everywhere in Singapore.
- **2021** was the year for vaccinations and software engineers, which spilled over into **2022**, sharing space with the very hot semicon industry.
- In **2023**, retail and consumer sectors rose because of the return of travel and tourism. Generative AI became the buzz word. You can be sure we have been doing placements of data scientists, machine learning and computer vision engineers since last year.

CO-OWNERSHIP HELPS PIVOTING



Pivoting is indeed our strength and is in large part due to our culture. Our business is run by Co-Owners, at IPO in 2017 there were 22 Business Leader Co-Owners. Today, through our organic start-ups and acquisitions, we have a total of 44 Business Leader Co-Owners at the heart of the business, passionate, enterprising, running their respective businesses as owners. It makes a real difference to agility and whether you go to sleep at night thinking about the business, and wake up in the morning doing the same.

The enterprising spirit that first started with Peter Sim our chairman who founded the business 32 years ago, runs strong today.

No matter the macro conditions, we keep rallying more Co-Owners to run with us to grow bigger and better.

WHAT WE ARE WORKING TOWARDS



- We want to build out and capitalise on our **regional platform**. This is an advantage we have over small players in the market. Clients and candidates who work with us know that we deliver a consistent, quality product across 17 cities, a tech-enabled experience that just keeps getting better over time. We are big on 1% improvements every day, being relentlessly about innovating and evolving so that the user experience just keeps getting better.
- We want to keep building out the verticals, extending our range of offerings particularly those with recurring revenue, so that we **maximise the HR dollar**. Anytime there is a talent related need, we want you to think of HRnetGroup. You are assured of our quality, you know we are good for our money, and you are certain we will deliver. We also hunt as a pack. Any one of our businesses can connect you across geographies and verticals. There is great strength in numbers for cross-fertilisation.
- Through the 3 engines for growth - organic start-ups, inorganic acquisitions, and combos, capitalising on our regional platform and maximising the HR dollar, we seek **recurring revenue** streams.



You don't have to worry that we will take short cuts, play with the books, or cook the numbers to get there. We are in this for the long haul. We believe in corporate longevity and healthspan. We are in the select group of companies which made it past 32 years, we want to be in the 0.5% of companies which make it past a 100. For an individual, you examine and refine what you eat, what exercises you do, your sleep, the company you keep, your daily routines and practices to lengthen your healthspan.

For a company seeking a long healthspan, it is no different. We keep lean and agile - till today no one in the company has a secretary. We collect data and constantly analyse how to refine our processes and operations - how to reach 120% occupancy of our office space, how to increase the conversion rates of the cases we work on. Our VO2 Max is our cashflow. We persistently strengthen our free cashflow and are disciplined about adding capacity. We hire people we would be happy to have dinner with because we know we will be spending so much time together, feeding off each other's energy.

We don't just work here, we own this company and are committed to growing it so that it flourishes and prospers for many generations to come. Thank you very much for joining us on this journey.