

# FY2018 Financial Results and Mid-Term Strategy



**Recruit Holdings Co., Ltd.**

**Masumi Minegishi**

President, CEO, and Representative Director

**May 14, 2019**

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## Consolidated

**Record-highs for revenue, EBITDA and adjusted EPS**

## HR Technology

**Revenue increased +54.0%<sup>(1)</sup> yoy in US dollar terms to 2.9 billion US dollars**

## Media & Solution

**EBITDA grew +10.4% yoy and EBITDA margin improved 90 basis points to 23.9%**

## Staffing

**EBITDA increased +14.1% yoy and EBITDA margin improved 80 basis points to 6.4%, despite 0.7% decrease in revenue**

(1) The US dollar based revenue reporting represents the financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of Recruit Holdings Co., Ltd (the "Company"). Assuming IFRS 15 was applied in FY2017 on a pro forma basis.

# FY2018 Consolidated Financial Results

1. FY2018 Highlights

(in billions of yen, unless otherwise stated)

	FY2017	FY2018	
	Full-year	Full-year	YOY
<b>Revenue</b>	<b>2,173.3</b>	<b>2,310.7</b>	<b>+6.3%</b>
<b>EBITDA</b>	<b>258.4</b>	<b>293.2</b>	<b>+13.5%</b>
<b>EBITDA margin</b>	<b>11.9%</b>	<b>12.7%</b>	<b>+0.8pt</b>
<b>Operating Income</b>	<b>191.7</b>	<b>223.0</b>	<b>+16.3%</b>
<b>Profit attributable to owners of the parent</b>	<b>151.6</b>	<b>174.2</b>	<b>+14.9%</b>
<b>Adjusted profit</b>	<b>144.9</b>	<b>178.9</b>	<b>+23.5%</b>
<b>Adjusted EPS (yen)</b>	<b>86.74</b>	<b>107.10</b>	<b>+23.5%</b>

## Three-Year Performance Highlights

Management Key Performance Indicators

**EBITDA grew to 293.2 billion yen**

**Adjusted EPS: 3 yr. CAGR 15.5%, exceeding the target**

**“Further growth in overseas business”:** Overseas revenue increased to approximately 46% of total by acquisitions of USG People and Glassdoor, and growth in the HR technology segment

**“Sustainable growth in Japan business”:** Expanded and strengthened the individual user and enterprise client base, and created new growth areas

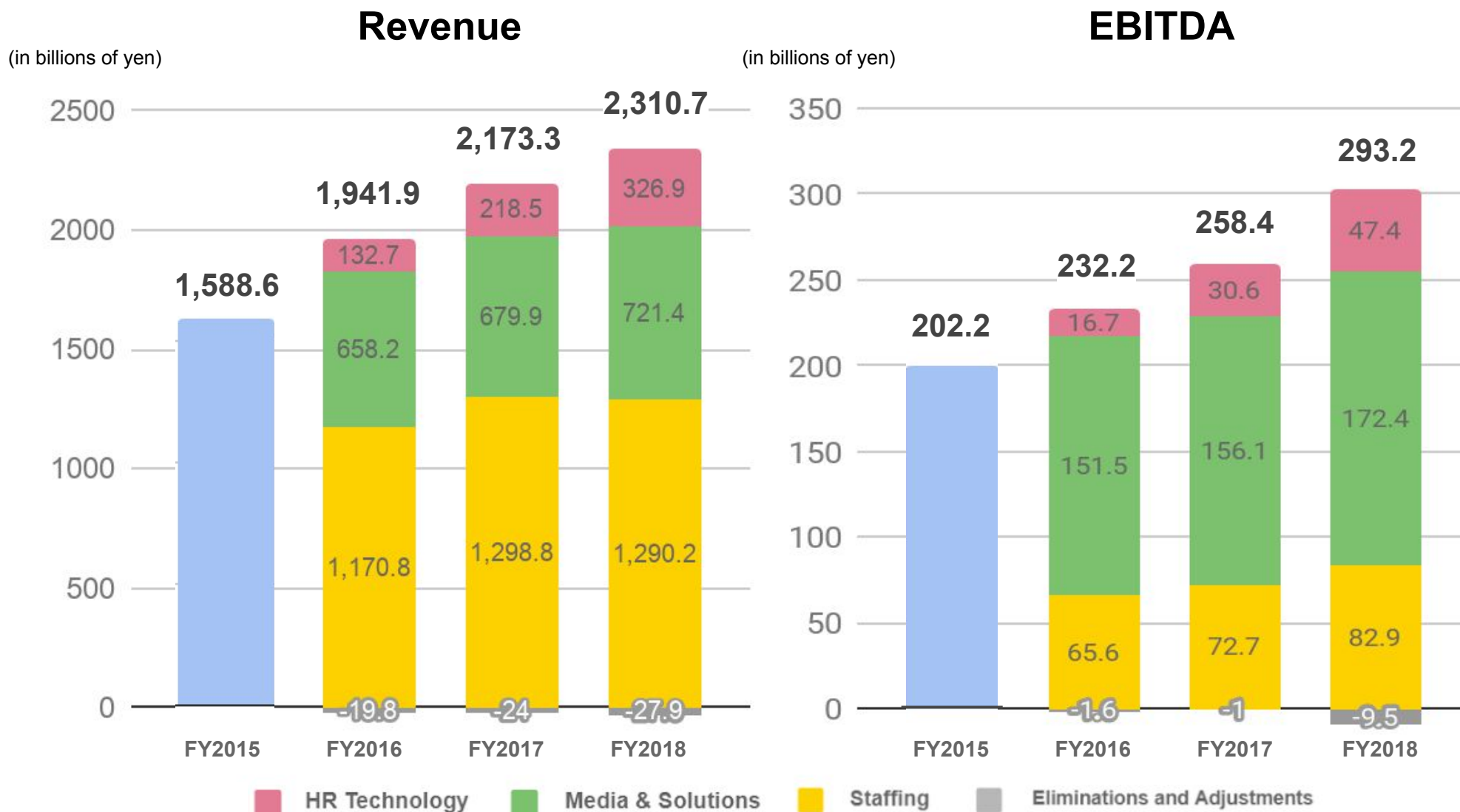
Financial Policies and Shareholder Returns

**Exceeded ROE target of 15% in all three fiscal years**

**Increased dividend per share consistently by implementing interim dividend from FY2017**

# Revenue and EBITDA Growth

2. Three-Year Historical Summary  
(FY2016-FY2018)



(1) The Company adopted IFRS from the beginning of the FY2017. Figures for FY2016 were calculated assuming IFRS were applied on pro forma basis. Figures for FY2015 are based on Japanese GAAP.

(2) The Company changed the structure of its reportable segments from FY2016; figures for FY2015 under the current structure are not available.

# Three-Year Segment Performance Highlights

2. Three-Year Historical Summary  
(FY2016-FY2018)

## HR Technology

**Revenue increased by approximately 4x from 0.7 to 2.9 billion US dollars<sup>(1)</sup>**

**Operates websites in 60+ countries**

**Glassdoor acquisition**

## Media & Solutions

**Remained No.1 by revenue in almost all major subsegments<sup>(2)</sup> in Japan while maintaining high EBITDA margin**

**Expanded new businesses such as *Air Series* and *Study Sapuri***

## Staffing

**Became the 5th largest global staffing firm<sup>(3)</sup> through USG People acquisition**

**EBITDA margin increased from 5.6% to 6.4%**

(1) The US dollar based revenue reporting represents the financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of the Company.

(2) The Company uses comparative information only when companies disclose their revenue.

(3) Source: SIA (Staffing Industry Analysts), "Largest Global Staffing Firms 2018"



**Stock price<sup>(1)</sup> increased by approximately 2.8x<sup>(2)</sup> in three years**



(1) Stock price is adjusted to reflect the three-for-one stock split effective on July 1, 2017.

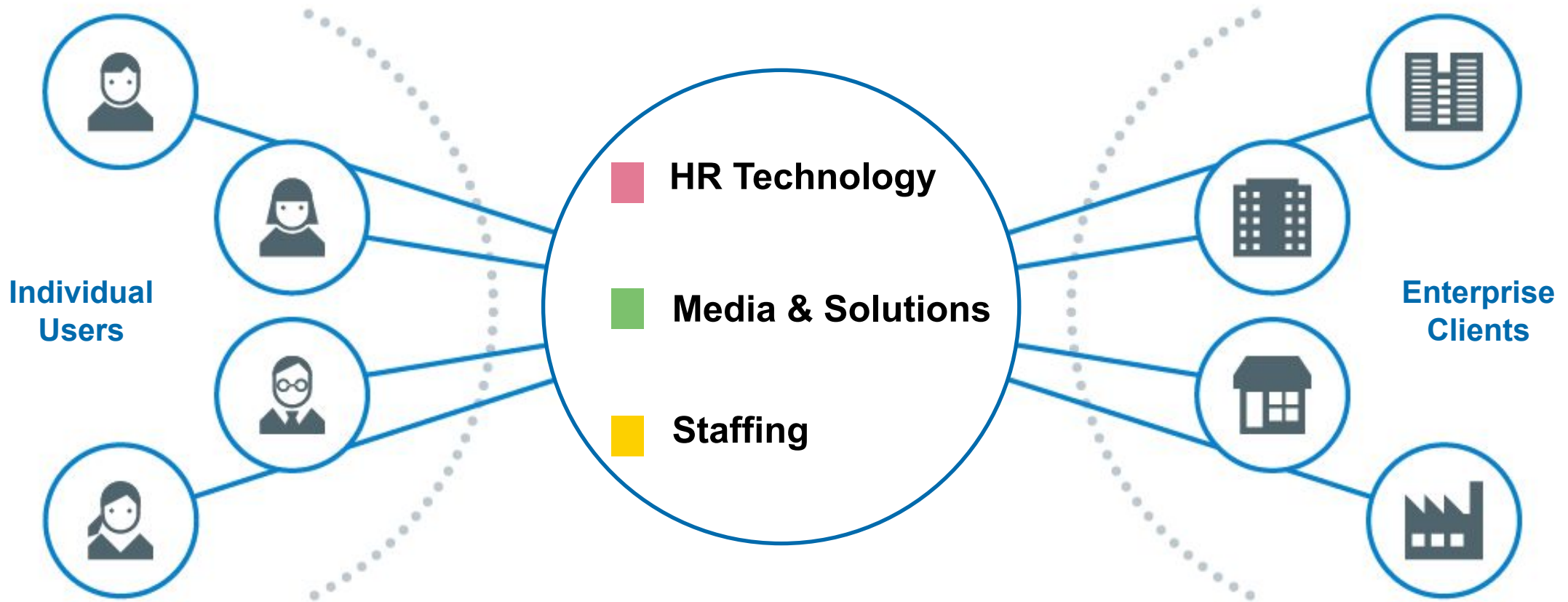
(2) 03/31/2016 to 03/29/2019

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# Provide Effective Matching Solutions

## Leveraging technology to improve matching across HR and Media businesses



### **Leveraging technology to drive innovation in overall HR matching businesses**

**: HR Technology**

**Improve matching efficiency to lead the evolution of all HR matching businesses in Recruit Group**

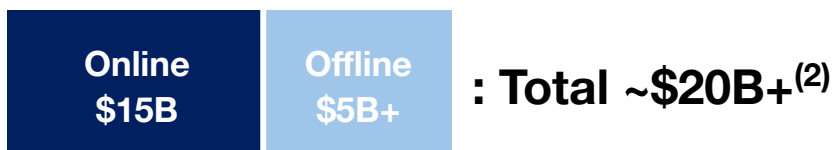
**: HR Solutions in Media & Solutions / Staffing**

**Continue to improve existing businesses**

### **Employing disruptive technological innovation to become the global leader in the HR matching market**

Innovate the estimated \$150 billion+<sup>(1)</sup> HR matching market with effective matching solutions

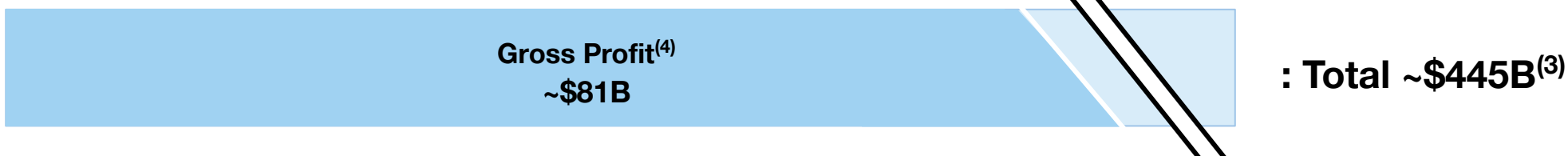
### Job advertising & talent sourcing tools



### Placement & Search



### Temp Staffing Market



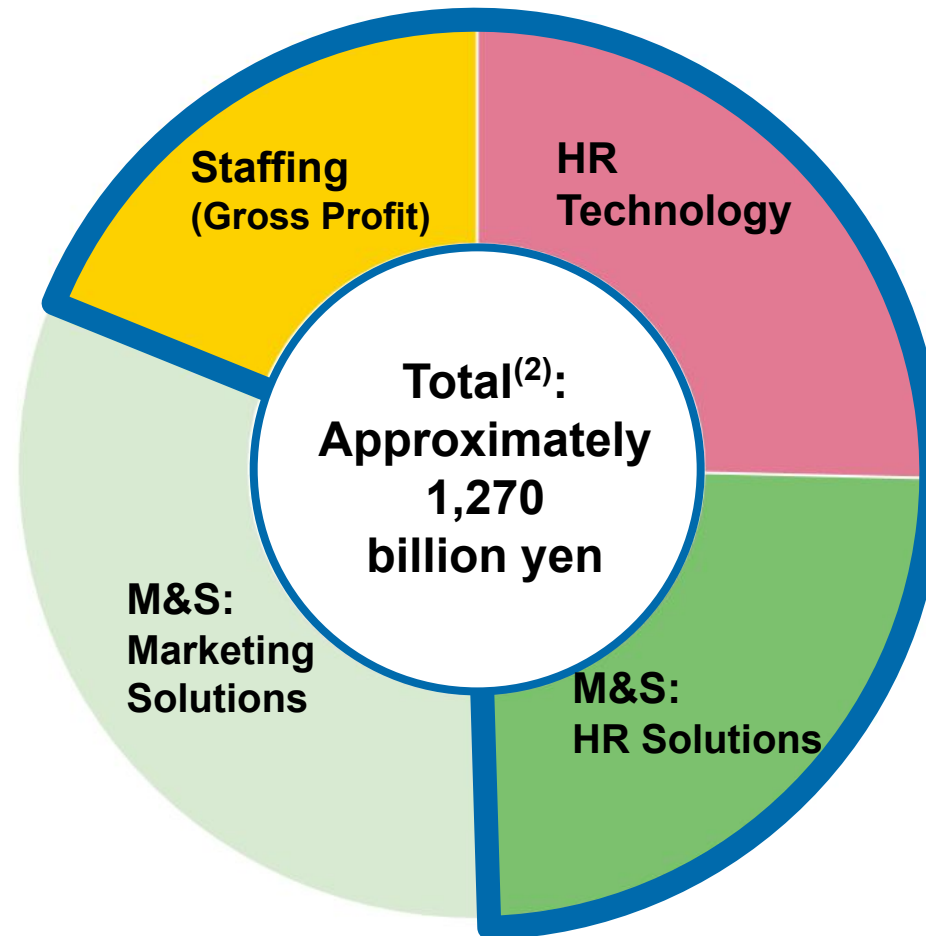
(1) Source: SIA (Staffing Industry Analysts), [www.staffingindustry.com](http://www.staffingindustry.com); 2018 company estimates, consists of the job advertising and talent sourcing tools market, the placement and executive search market, and the temporary staffing market (gross profit)

(2) Source: 2018 company estimates, consists of online job advertising, employer branding, and talent sourcing tools

(3) Source: SIA, Global Staffing Industry Market Estimates and Forecast: November 2018 Update, company estimates; assumes 6% industry growth rate (2018)

(4) Assumes gross profit margin of 18.3% calculated based on the weighted average of the top 3 publicly traded global staffing companies in terms of revenue (2018)

## Recruit Group HR matching business<sup>(1)</sup> in FY2018: 870 billion yen



**HR matching business**

(1) Business scale of HR matching businesses comprised of revenue of (i)HR Technology, (ii) HR Solutions in Media & Solutions and (iii) Staffing excluding salary for temporary staff etc.

(2) "Total" comprised of (1) and revenue of Marketing Solutions in Media & Solutions

### HR Technology

**Promote further growth of online job advertising business**

**Expand capabilities through internal investment and M&A in online HR matching businesses**

### Media & Solutions

**Focus on stable growth in advertising business and expand operational and management support service across subsegments**

**Aim for stable revenue growth and keep adjusted EBITDA margin at a current level**

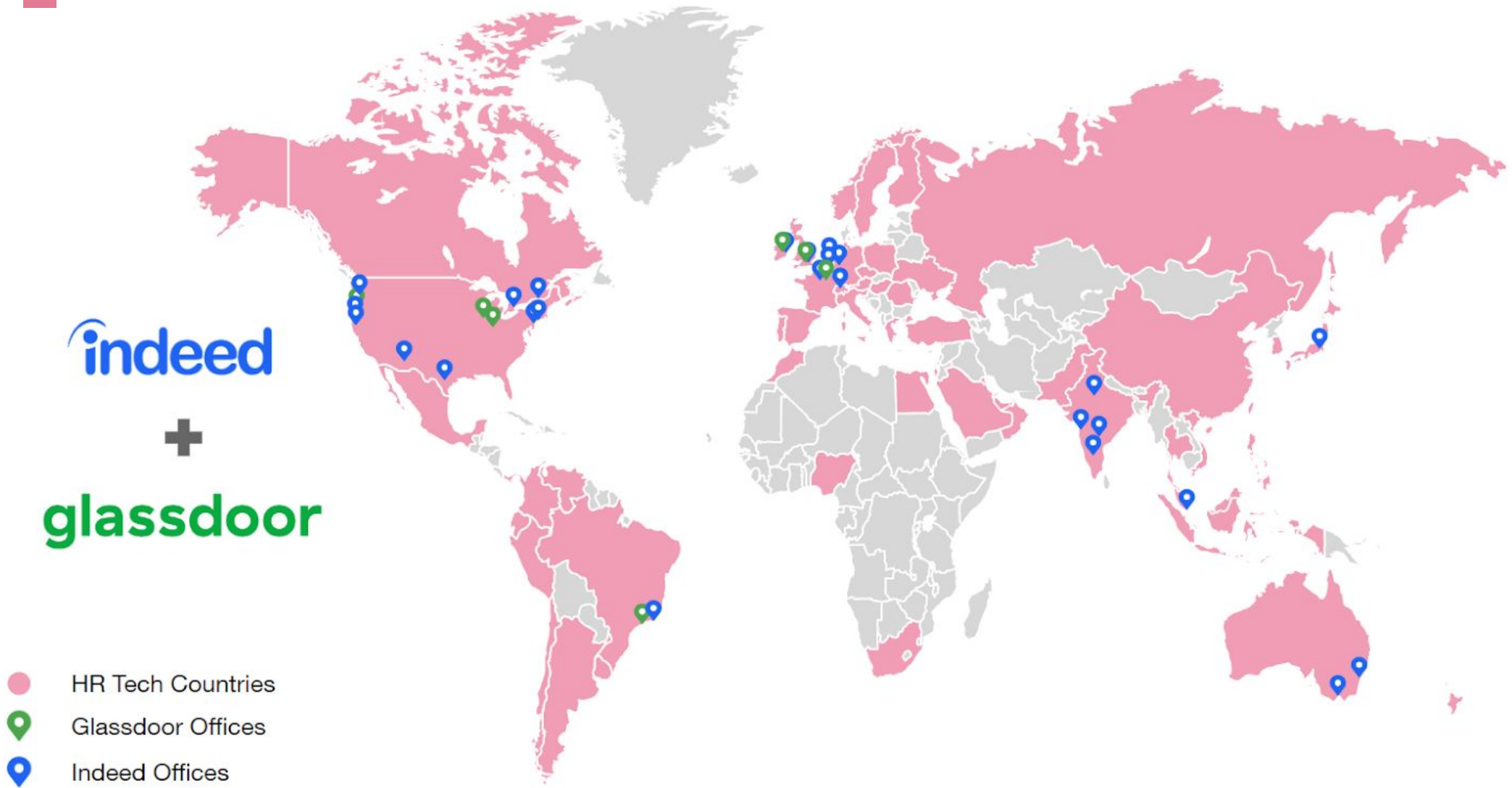
### Staffing

**Improve adjusted EBITDA margin on a global scale**

# HR Technology

## Promote further expansion of HR matching businesses

**indeed**  
+  
**glassdoor**



- HR Tech Countries
- Glassdoor Offices
- Indeed Offices



## Media & Solutions

**Create more value for existing and potential enterprise clients of Marketing Solutions by offering both advertising business and operational and management support services**

**: Help existing enterprise clients increase revenue**

**Increase the number of customers through *Hot Pepper Gourmet* and *Operational Support Package***

**Increase spend per customer, leveraging data science of *AirREGI***

**: Help potential enterprise clients improve operational efficiency**

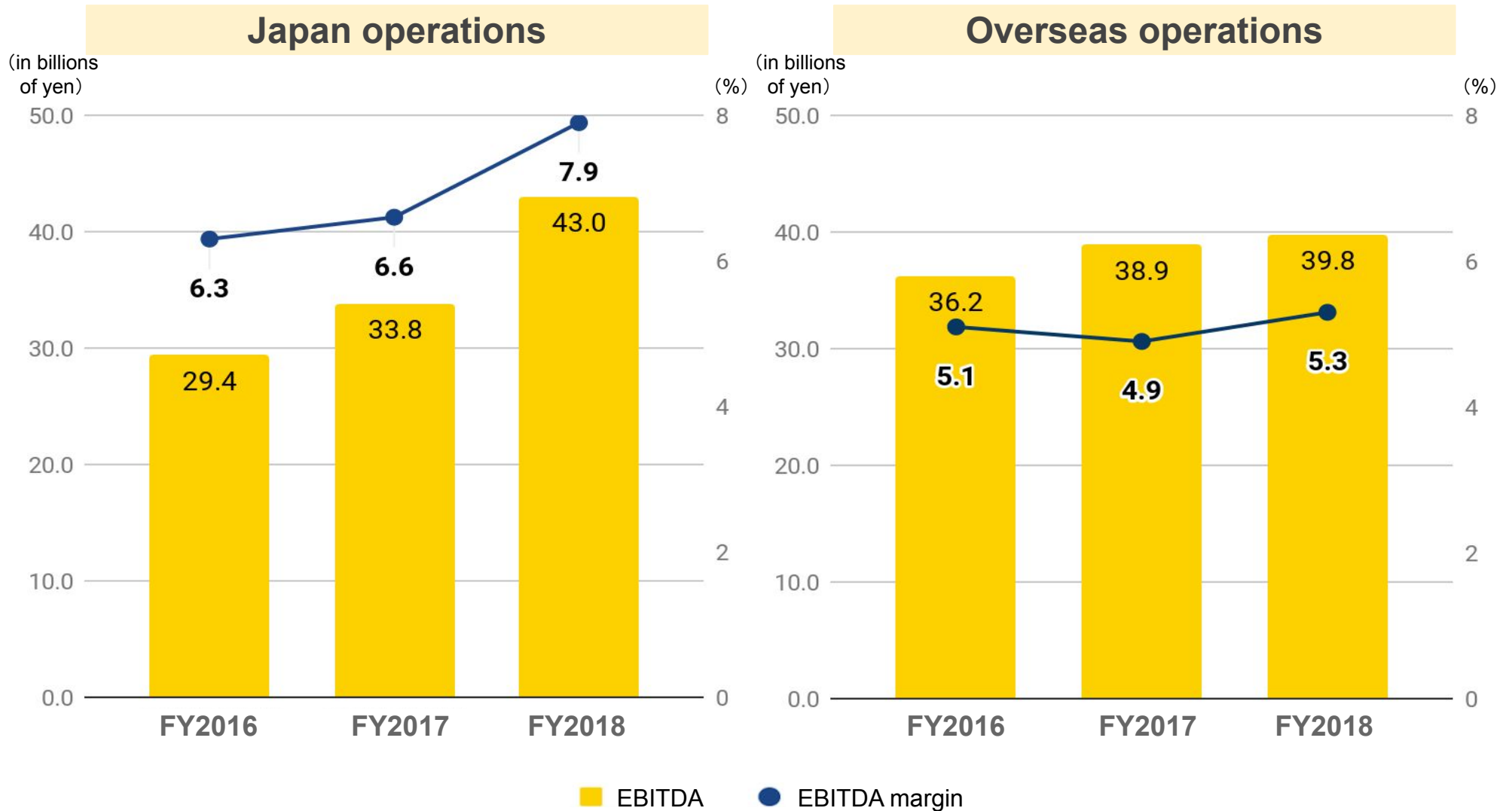
**Offer *Air Series* to realize low-cost operations management**

**Achieve stable revenue growth and maintain adjusted EBITDA margin through these actions**

## Expand the operational and management support service, *Air Series*



### Continue to improve adjusted EBITDA margin globally



## Nomination of Board of Directors

**After the General Meeting of Shareholders to be held in June 2019, there will be 7 members on the Board**

**: Candidate for Board of Directors - Hisayuki Idekoba**

- has a proven track record employing technology to drive growth and innovation across many of our businesses**
- has contributed significantly to the steady growth of Indeed and the globalization of the Group in recent years**

**Nominate at least one female Board Director candidate for the General Meeting of Shareholders by June 2021**

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### Management KPIs

**Adjusted EBITDA<sup>(1)</sup> and Adjusted EPS**

### Financial Policies - Capital Efficiency

**Maintain ROE of approximately 15%**

### Financial Policies - Capital Allocation

**1. Dividends: Implement twice a year - Interim and year-end**

**Target consolidated payout ratio of approximately 30%<sup>(2)</sup>**

**2. M&A: Strategic acquisitions primarily in the HR Technology segment**

**3. Stock buy-back: Consider implementing a share repurchase program based on the capital market environment and financial outlook**

(1) Adjusted EBITDA: operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expenses

(2) Consolidated payout ratio: approximately 30% of Profit available for dividends (profit attributable to owners of the parent excluding non-recurring income/losses)

**Consolidated revenue and adjusted EBITDA are expected to increase, with revenue and adjusted EBITDA increasing in all three segments**

**Management KPIs**

**Adjusted EBITDA is expected to be in the range of 310 billion yen to 330 billion yen, exceeding the previous fiscal year**

**Adjusted EPS is aimed to grow high single digits compared to FY2018**

**Dividends**

**FY2019 - Annual 30 yen: interim 15 yen and year-end 15 yen**

### **HR Technology**

**Revenue in US dollar terms is expected to grow 35% plus or minus a few percent**

**Adjusted EBITDA margin is expected to be plus or minus a few percent compared to FY2018**

### **Media & Solutions**

**Revenue is expected to grow mid single digits in Marketing Solutions and low single digits in HR Solutions**

**Adjusted EBITDA margin is expected to be the same level of FY2018**

### **Staffing**

**Revenue is expected to grow low single digits in both Japan and Overseas operations**

**Adjusted EBITDA margin is expected to increase slightly**





# Appendix

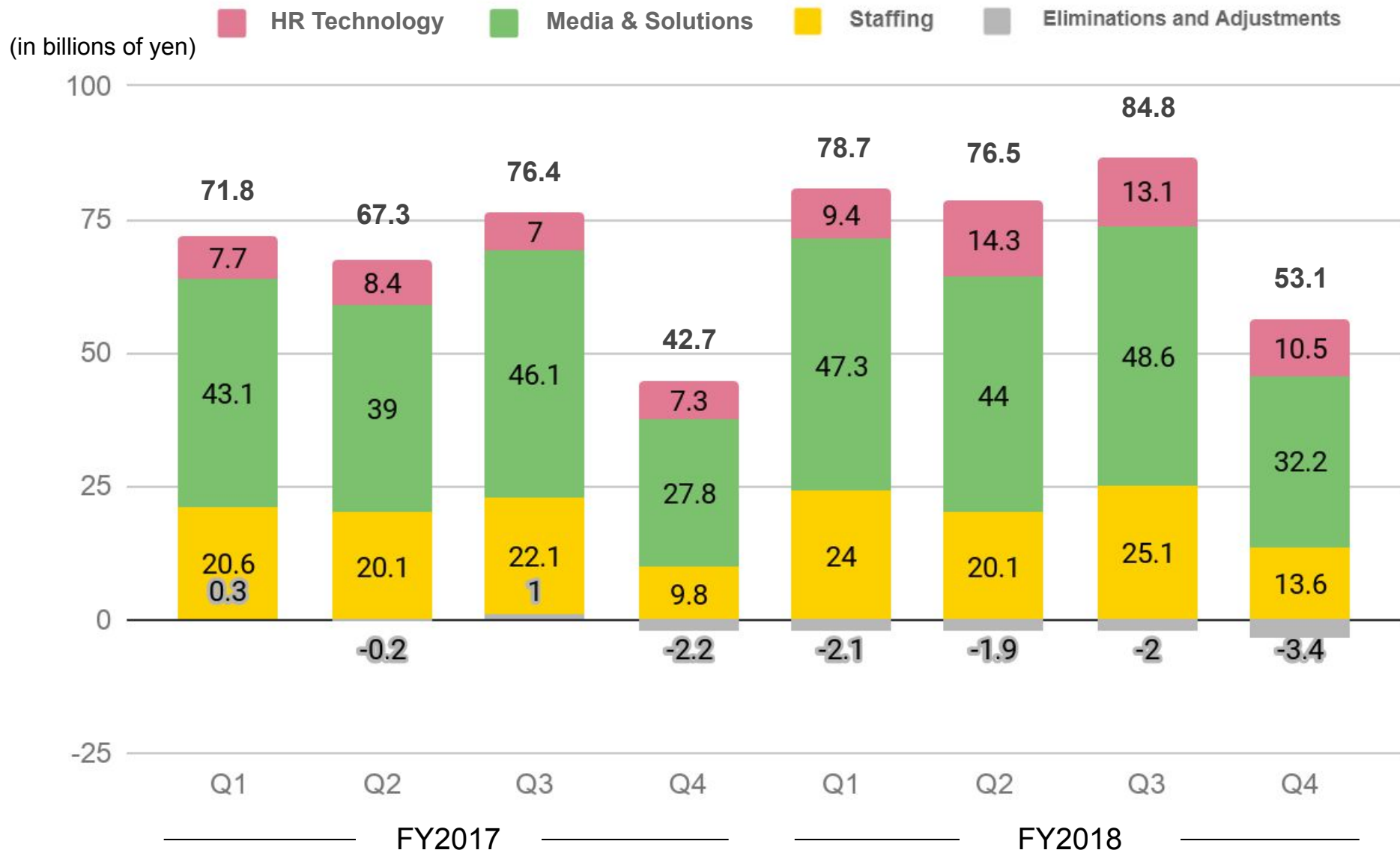
## FY2018 Full-year and Q4 Financial Results

(in billions of yen, unless otherwise stated)	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
<b>Revenue</b>	<b>556.4</b>	<b>580.3</b>	<b>+4.3%</b>	<b>2,173.3</b>	<b>2,310.7</b>	<b>+6.3%</b>
<b>EBITDA</b>	<b>42.7</b>	<b>53.1</b>	<b>+24.2%</b>	<b>258.4</b>	<b>293.2</b>	<b>+13.5%</b>
<b>EBITDA margin</b>	<b>7.7%</b>	<b>9.2%</b>	<b>+1.5pt</b>	<b>11.9%</b>	<b>12.7%</b>	<b>+0.8pt</b>
<b>Operating Income</b>	<b>25.1</b>	<b>30.9</b>	<b>+23.1%</b>	<b>191.7</b>	<b>223.0</b>	<b>+16.3%</b>
<b>Profit attributable to owners of the parent</b>	<b>23.0</b>	<b>28.2</b>	<b>+22.4%</b>	<b>151.6</b>	<b>174.2</b>	<b>+14.9%</b>
<b>Adjusted profit</b>	<b>22.1</b>	<b>27.8</b>	<b>+25.7%</b>	<b>144.9</b>	<b>178.9</b>	<b>+23.5%</b>
<b>Adjusted EPS (yen)</b>	<b>13.26</b>	<b>16.67</b>	<b>+25.7%</b>	<b>86.74</b>	<b>107.10</b>	<b>+23.5%</b>

## FY2018 Full-Year and Q4 Financial Results by Segment

Revenue (in billions of yen)	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
<b>Consolidated Results</b>	<b>556.4</b>	<b>580.3</b>	<b>+4.3%</b>	<b>2,173.3</b>	<b>2,310.7</b>	<b>+6.3%</b>
HR Technology	61.9	90.0	+45.4%	218.5	326.9	+49.6%
Media & Solutions	181.2	193.7	+6.9%	679.9	721.4	+6.1%
Staffing	319.9	304.1	-4.9%	1,298.8	1,290.2	-0.7%
Eliminations and Adjustments	-6.6	-7.6	-	-24.0	-27.9	-
<b>EBITDA (in billions of yen)</b>						
<b>Consolidated Results</b>	<b>42.7</b>	<b>53.1</b>	<b>+24.2%</b>	<b>258.4</b>	<b>293.2</b>	<b>+13.5%</b>
HR Technology	7.3	10.5	+44.1%	30.6	47.4	+55.0%
Media & Solutions	27.8	32.2	+16.2%	156.1	172.4	+10.4%
Staffing	9.8	13.6	+39.2%	72.7	82.9	+14.1%
Eliminations and Adjustments	-2.2	-3.4	-	-1.0	-9.5	-
<b>EBITDA margin</b>						
<b>Consolidated Results</b>	<b>7.7%</b>	<b>9.2%</b>	<b>+1.5pt</b>	<b>11.9%</b>	<b>12.7%</b>	<b>+0.8pt</b>
HR Technology	11.9%	11.8%	-0.1pt	14.0%	14.5%	+0.5pt
Media & Solutions	15.3%	16.7%	+1.3pt	23.0%	23.9%	+0.9pt
Staffing	3.1%	4.5%	+1.4pt	5.6%	6.4%	+0.8pt

# FY2017-FY2018 Quarterly Consolidated EBITDA by Segment



## HR Technology

(in billions of yen, unless otherwise stated) <b>Revenue</b>	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
HR Technology	61.9	90.0	+45.4%	218.5	326.9	+49.6%
Reference: Revenue in million of US dollars <sup>(1)</sup>	572	816	+42.6%	1,976	2,944	+49.0%

### EBITDA

HR Technology	7.3	10.5	+44.1%	30.6	47.4	+55.0%
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(in billions of yen, unless otherwise stated)	FY2017					FY2018				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
Revenue <sup>(1)</sup> - IFRS 15 applied	402	460	490	557	1,911	634	739	754	816	2,944
YOY	-	-	-	-	-	57.6%	60.6%	53.7%	46.3%	54.0%

(1) The US dollar based revenue reporting represents the financial results of operating companies in the HR Technology segment on a US dollar basis, which differ from the consolidated financial results of the Company. Assuming IFRS 15 was applied in FY2017 on a pro forma basis.

# Media & Solutions

(in billions of yen, unless otherwise stated)

Revenue	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
<b>Media &amp; Solutions</b>	<b>181.2</b>	<b>193.7</b>	<b>+6.9%</b>	<b>679.9</b>	<b>721.4</b>	<b>+6.1%</b>
Marketing Solutions	96.4	105.2	+9.0%	378.5	400.4	+5.8%
Housing and Real Estate	24.7	28.1	+13.5%	98.1	104.1	+6.1%
Bridal	13.1	13.0	-1.2%	55.4	54.9	-0.9%
Travel	14.2	14.9	+5.1%	58.8	61.6	+4.7%
Dining	9.7	10.0	+3.4%	37.3	38.8	+4.0%
Beauty	16.8	18.7	+11.1%	63.8	72.0	+12.9%
Others	17.8	20.3	+14.5%	64.8	68.7	+6.0%
<b>HR Solutions</b>	<b>83.0</b>	<b>86.6</b>	<b>+4.3%</b>	<b>294.4</b>	<b>316.8</b>	<b>+7.6%</b>
Recruiting in Japan	76.8	78.2	+1.8%	270.6	283.9	+4.9%
Others	6.1	8.3	+36.7%	23.7	32.8	+38.3%
Eliminations and Adjustments	1.7	1.9	+9.8%	7.0	4.1	-41.2%
<b>EBITDA</b>						
<b>Media &amp; Solutions</b>	<b>27.8</b>	<b>32.2</b>	<b>+16.2%</b>	<b>156.1</b>	<b>172.4</b>	<b>+10.4%</b>
Marketing Solutions	15.5	18.8	+21.4%	95.2	109.8	+15.3%
HR Solutions	16.4	17.9	+9.1%	74.5	79.2	+6.3%
Eliminations and Adjustments	-4.1	-4.5	-	-13.6	-16.6	-

## Staffing

(in billions of yen, unless otherwise stated)

Revenue	FY2017	FY2018		FY2017	FY2018	
	Q4	Q4	YOY	Full-year	Full-year	YOY
<b>Staffing</b>	<b>319.9</b>	<b>304.1</b>	<b>-4.9%</b>	<b>1,298.8</b>	<b>1,290.2</b>	<b>-0.7%</b>
Japan operations	128.9	133.4	+3.5%	509.2	542.5	+6.5%
Overseas operations	190.9	170.7	-10.6%	789.5	747.7	-5.3%
<b>EBITDA</b>						
<b>Staffing</b>	<b>9.8</b>	<b>13.6</b>	<b>+39.2%</b>	<b>72.7</b>	<b>82.9</b>	<b>+14.1%</b>
Japan operations	2.7	6.6	+145.7%	33.8	43.0	+27.3%
Overseas operations	7.1	7.0	-1.4%	38.9	39.8	+2.5%

## Candidate for Board Director

### Hisayuki Idekoba



April 1999	Joined the Company
April 2012	Corporate Executive Officer in charge of R&D and Asia Job Board at Global Headquarters Chairman of Indeed, Inc.
October 2013	CEO & President of Indeed, Inc.
October 2015	CEO of Indeed, Inc.
April 2016	Managing Corporate Executive Officer in charge of Global Online HR Business (current HR Technology Business)
January 2018	Senior Managing Corporate Executive Officer in charge of Operation (COO) Director and CEO of RGF OHR USA, Inc. (at present) Director and Chairman of Recruit Global Staffing B.V. (at present)
April 2019	Senior Managing Corporate Executive Officer in charge of Corporate Planning (CSO), Administration (CRO) and Operation (COO) (at present) Director of Indeed, Inc. (at present)

\* Appointed to be a Board Director of the Company, after the Ordinary General Meeting of Shareholders scheduled in June 2019.



## Adjustment items for EBITDA and Adjusted Profit

(in billions of yen)	FY2018	
	Q4	Full-year
<b>EBITDA</b>		
Operating income	<b>30.9</b>	<b>223.0</b>
Other operating income	<b>-0.3</b>	<b>-9.1</b>
Other operating expenses	<b>+4.7</b>	<b>+8.1</b>
Depreciation and amortization	<b>+17.7</b>	<b>+71.1</b>
<b>EBITDA</b>	<b>53.1</b>	<b>293.2</b>

(in billions of yen)	FY2018	
	Q4	Full-year
<b>Adjusted Profit</b>		
Profit (loss) attributable to owners of the parent	<b>28.2</b>	<b>174.2</b>
Amortization of intangible assets arising due to business combinations	<b>+5.0</b>	<b>+22.2</b>
Non-recurring income	<b>-2.5</b>	<b>-9.0</b>
Non-recurring losses	<b>+4.6</b>	<b>+8.0</b>
Tax reconciliation regarding the adjustment items	<b>-7.5</b>	<b>-16.5</b>
<b>Adjusted Profit</b>	<b>27.8</b>	<b>178.9</b>

## Adjusted EBITDA

### EBITDA excluding the impact of IFRS 16, being applied beginning in FY2019

(in billions of yen)

	FY2018	Impact of IFRS 16 adoption <sup>(1)</sup>	FY2018 assuming IFRS 16 adoption
	Full-year	Full-year	Full-year
Operating income	223.0	+1.2	224.3
Other operating income	-9.1	-	-9.1
Other operating expenses	+8.1	-	+8.1
Depreciation and amortization	+71.1	+33.4	+104.5
<b>EBITDA</b>	<b>293.2</b>	<b>+34.6</b>	<b>327.9</b>
Depreciation and amortization (right-of-use-assets)	-	-33.4	-33.4
<b>Adjusted EBITDA</b>	<b>-</b>	<b>+1.2</b>	<b>294.5</b>

(1) Assuming IFRS 16 was applied to financial statement in FY2018 on a pro forma basis. These figures are estimated based on lease contract as of September 30, 2018 and are unaudited.

## Notes

EBITDA: operating income + depreciation and amortization  $\pm$  other operating income/expenses

Adjusted EBITDA: operating income + depreciation and amortization(excluding depreciation of right-of-use assets)  $\pm$  other operating income/expenses

Adjusted profit: profit attributable to owners of the parent  $\pm$  adjustment items\* (excluding non-controlling interests)  $\pm$  tax reconciliation related to certain adjustment items

\*Adjustment items = amortization of intangible assets by acquisitions  $\pm$  non-recurring income/losses

Adjusted EPS: adjusted profit / (number of shares issued at the end of the period -number of treasury stock at the end of the period)

Profit available for dividends = profit attributable to owners of the parent  $\pm$  non-recurring income/losses, etc.