

# FAQ's for Q3 FY2021

Recruit Holdings Co., Ltd.

## **Q1. What did you see in the global HR Matching market during Q3?**

During Q3 FY2021, the unique conditions of the global labor market largely persisted in several countries, with the impacts of the holiday season and COVID-19, including new variants, playing a role in the activity of employers and job seekers. Employers continued to post an increasing number of jobs across many of the markets where we operate including the US, Canada, and Europe, while signs of a stronger recovery were seen in Japan following the lifting of the state of emergency at the end of September 2021.

Against a backdrop of lower unemployment and historic rates of quitting, but with labor force participation rates remaining below pre-pandemic levels in the US, job seeker activity remained relatively muted due to a combination of factors including care responsibilities, spousal employment, a financial cushion, and fear of COVID-19. As a result, the US, Canada, and Europe continued to experience an imbalance in the labor market between employers with open roles and job seekers looking for work. This dynamic resulted in increased demand year over year, both for sponsored job postings in HR Technology and for temporary staff in *Europe, US, and Australia* in Staffing.

While limited employee layoffs during the pandemic have prevented a widespread imbalance between supply and demand in the labor market in Japan, as evidenced by the jobs-to-applicants ratio which has remained nearly flat, the hiring environment has continued to gain strength due to increased hiring demand especially in the dining sector upon the lifting of the state of emergency at the end of September 2021. As a result, hiring demand in Japan across HR Technology, the placement and job advertising business in HR Solutions, and Staffing improved during Q3 following the lifting of the state of emergency.

## **Q2. What does the Job Postings Tracker data on the Indeed Hiring Lab website tell me about the labor market?**

Job postings on Indeed are a real-time measure of labor market activity. Leveraging on such data, the Job Postings Tracker shows the trend of the job postings since February 1, 2020 pre-pandemic baseline on a seasonally adjusted basis.

Seasonally adjusting data is a common tool used by governments around the world when analyzing labor market and economic data. Seasonal fluctuation can be driven by a myriad of factors including holidays, weather, and school schedules, which allows Indeed Hiring Lab to tell a clearer story of what's happening in the labor market while controlling for predictable, seasonal patterns.

The job postings on Indeed include paid and unpaid job postings. Due to the seasonality adjustments and the Job Postings Tracker's use of paid and unpaid job postings, the trend of job postings on the graph is not directly correlated to the growth trend of HR Technology revenue.

For the latest Job Postings Tracker, please refer to the following website:

<https://www.hiringlab.org/category/state-of-the-labor-market/coronavirus/>

## **Q3. Is there a revision to the consolidated financial guidance for FY2021?**

Considering the results of Q3 and available information as of February 14, 2022, it is highly likely that our second half and full year consolidated results will be close to the upper end of the guidance range. However, our consolidated financial guidance remains unchanged as the business environment remains uncertain due to the potential for future COVID-19 related restrictions globally. Regarding the outlook for each business in Q4 FY2021, please refer to question 4.

The following table presents consolidated financial guidance for the second half and full year of FY2021 announced on November 15, 2021.

(In billions of yen, unless otherwise stated)	Guidance for the second half of FY2021	YoY	Guidance for FY2021	YoY
Revenue	<b>1,334.1 - 1,434.1</b>	<b>8.9% - 17.1%</b>	<b>2,700.0 - 2,800.0</b>	<b>19.0% - 23.4%</b>
Adjusted EBITDA	<b>173.6 - 203.6</b>	<b>46.9% - 72.2%</b>	<b>440.0 - 470.0</b>	<b>82.1% - 94.5%</b>
Operating income	<b>127.1 - 157.1</b>	<b>44.2% - 78.3%</b>	<b>350.0 - 380.0</b>	<b>115.0% - 133.4%</b>
Profit before tax	<b>126.2 - 156.2</b>	<b>40.2% - 73.5%</b>	<b>350.0 - 380.0</b>	<b>107.7% - 125.5%</b>
Profit for the period	<b>93.5 - 113.5</b>	<b>36.4% - 65.6%</b>	<b>259.0 - 279.0</b>	<b>96.7% - 111.9%</b>
Profit attributable to owners of the parent	<b>93.3 - 113.3</b>	<b>35.5% - 64.6%</b>	<b>258.5 - 278.5</b>	<b>96.7% - 112.0%</b>
Adjusted EPS (yen)	<b>63.81 - 75.81</b>	<b>56.7% - 86.2%</b>	<b>172.00 - 184.00</b>	<b>108.3% - 122.9%</b>

Regarding the self tender offer that was announced on January 28, 2022, the total number of shares to be purchased represents 2.00% of the total number of shares issued and outstanding which will be minimally accretive to adjusted EPS for FY2021.

Please find more information regarding the self tender offer on the website:

[https://recruit-holdings.com/en/newsroom/20220128\\_0001/](https://recruit-holdings.com/en/newsroom/20220128_0001/)

#### **Q4. What is the outlook for each business in Q4 FY2021?**

##### **HR Technology**

The competition for talent globally is expected to remain elevated through the remainder of Q4 due to the impact of COVID-19 related factors impacting employer and job seeker activity with an expected gradual lessening of the imbalance in the labor market. This will continue to benefit the pay for performance dynamic pricing model of HR Technology on Indeed and Glassdoor. As a result, although the business outlook remains uncertain, we expect that our US dollar based revenue growth for the second half of FY2021 will be near the upper end of the guidance range of 60-70% year over year, previously announced on November 15, 2021.

While year over year revenue growth is expected to trend downwards, the COVID-19 pandemic and resulting labor market have proven to be a unique opportunity to accelerate the transformation of HR matching technology to simplify hiring and make it easier for job seekers and employers to find and connect with each other. Therefore, HR Technology will continue to invest in this future opportunity, primarily by hiring across engineering and other technical roles as well as through increased investments in sales and marketing to build the Indeed and Glassdoor brands and acquire new users and customers.

Growing investments in these areas, to build and innovate products and solutions that improve the job seeker experience and strengthen the HR Technology two-sided talent marketplace will result in an expected adjusted EBITDA margin in the high 20% range for the second half of FY2021, representing no revision to the guidance disclosed on November 15, 2021.

## **Media & Solutions**

In Housing & Real Estate and Beauty in Marketing Solutions, we do not expect a significant revenue impact from the priority preventative measures which were reintroduced on January 9, 2022. However, as it may impact Travel and Dining, the outlook is uncertain. In HR Solutions, hiring demand especially in the restaurant sector, may decline due to the request for shorter operating hours and prohibition on serving alcohol under the priority preventative measures, and therefore, the outlook is uncertain.

Considering the revenue performance in Q3 and the progress in Q4, we expect that revenue in Marketing Solutions for the second half of FY2021 will be similar to revenue excluding the Rent Assistance Program last year.

However, as the impact of COVID-19 related restrictions on the remainder of the fourth quarter is unclear, we have not revised our revenue guidance in Marketing Solutions for the second half of FY2021 which we previously announced to be in the range of a decrease of 8% to an increase of 3% excluding the impact from the Rent Assistance Program in FY2020. There is no revision to our revenue guidance in HR Solutions for the second half of FY2021, which is expected to increase in the range of approximately 17% to 22% year over year.

Also, there is no revision to adjusted EBITDA margin guidance for the SBU for the second half of FY2021 which is expected to be approximately 12%, as anticipated aggressive marketing activities in Q4 aim to drive growth in the next fiscal year and beyond.

## **Staffing**

In Japan, demand for temporary staff in Q4 is not expected to be significantly impacted by the recently introduced priority preventative measures. This follows a year over year increase in revenue in Q3 FY2021, driven by the number of temporary staff on assignment, which has been rebounding from the impact of COVID-19. Revenue in Q3 exceeded expectations relative to the second half guidance announced on November 15, 2021, of approximately 3% year over year growth, however, we did not revise our guidance for the second half of FY2021. If labor market conditions remain more favorable than originally anticipated in Q4, we currently assume that the second half results will exceed the previously announced guidance.

Similarly in Europe, US, and Australia, Q3 FY2021 revenue performance exceeded expectations relative to the previously announced second half guidance of approximately 5% year over year growth, as demand for logistics roles to support e-commerce continued and temporary demand for healthcare roles in response to COVID-19 was bolstered by the emergence of new variants which is not expected to be sustainable as COVID-19 recedes. As the outlook for the sustainability of temporary COVID-19 related demand particularly in Europe remains uncertain, there is no update to the second half outlook. However, we currently expect that revenue will exceed our guidance for the second half of FY2021 if favorable conditions persist for the remainder of the second half.

Adjusted EBITDA margin guidance for the SBU in the second half of FY2021 also remains unchanged and is expected to be in the low 6% range, as the business is expected to adapt to different revenue outcomes with strategic flexible marketing efforts.

The following table presents SBU financial guidance for the second half of FY2021 announced on November 15, 2021.

(In billions of yen, unless otherwise stated)		FY2020	FY2021
		Second half	Guidance for the second half
HR Technology	Revenue (million US dollars)	\$2,331	<b>approx. +60% - +70% yoy on a USD basis</b>
	Adjusted EBITDA margin	18.0%	<b>High 20% range</b>
Media & Solutions	Marketing Solutions	255.1	-
	Revenue Excluding the Rent Assistant Program	205.6	<b>Compared to excluding the Rent Assistance Program approx. -8% - +3% yoy</b>
	HR Solutions	110.3	<b>approx. +17% - +22% yoy</b>
	Adjusted EBITDA margin	12.3%	<b>approx. 12%</b>
Staffing	Revenue Japan	285.3	<b>approx. +3% yoy</b>
	Revenue Europe, US and Australia	340.7	<b>approx. +5% yoy</b>
	Adjusted EBITDA margin	5.4%	<b>Lower half of 6%</b>

#### Q5. Can you summarize the self tender offer that was announced on January 28, 2022?

On January 28, 2022, we announced a share repurchase through a discounted tender offer in which the company will acquire up to 34 million shares at a price of 4,581 yen per share, during the tender offer period from January 31, 2022 to March 1, 2022. The total amount is expected to be up to 155.7 billion yen. The tender price represents a 10% discount from the closing price of 5,090 yen on the day before the announcement, which was agreed upon in advance with three Japanese business shareholders who signed the tender offer agreement.

In line with our capital allocation policy, we determined it would be appropriate to buy back our shares from the three Japanese business shareholders in order to alleviate the concerns in the capital markets regarding the impact on our stock price from possible uncoordinated sales by multiple shareholders.

By executing a self tender offer at a discount to the market price, we increase the likelihood that the Japanese business shareholders sell their desired amount of shares and we minimize the cash outflow of buying back shares, while at the same time enhancing shareholder value.

The policy on the disposal of treasury stock acquired through this transaction has not yet been determined at this moment. However, such treasury stock may be used for stock based compensation for employees, for the delivery of shares upon the exercise of stock acquisition rights, and for strategic M&A using the Company's common stock as consideration.

Please find more information regarding the self tender offer on the website:

[https://recruit-holdings.com/en/newsroom/20220128\\_0001/](https://recruit-holdings.com/en/newsroom/20220128_0001/)

## Appendix

### Historical Results of Operations by Segment

(In billions of yen)		FY2019		FY2020				FY2021		
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Consolidated Operating Results</b>										
	Revenue	608.5	589.7	475.4	569.1	611.5	613.1	664.7	701.1	746.0
	YoY %	3.6%	1.6%	-20.0%	-6.2%	0.5%	4.0%	39.8%	23.2%	22.0%
	Adj. EBITDA	92.1	55.2	53.4	69.9	87.5	30.7	125.6	140.6	134.8
	Adj. EBITDA margin	15.1%	9.4%	11.2%	12.3%	14.3%	5.0%	18.9%	20.1%	18.1%
<b>HR Technology</b>										
	Revenue in million USD (\$)	1,007	974	689	973	1,095	1,235	1,683	1,948	1,986
	YoY % USD (\$)	33.5%	19.4%	-25.8%	-2.3%	8.8%	26.8%	144.5%	100.1%	81.3%
	Revenue	109.5	106.3	74.1	103.4	114.5	131.1	184.4	214.4	225.8
	YoY %	28.6%	18.1%	-27.5%	-3.1%	4.6%	23.3%	148.9%	107.3%	97.2%
	Adj. EBITDA	19.1	8.3	7.8	14.7	26.7	17.3	69.4	86.4	71.9
	Adj. EBITDA margin	17.5%	7.9%	10.6%	14.3%	23.4%	13.3%	37.7%	40.3%	31.9%
<b>Media &amp; Solutions</b>										
Marketing Solutions	Revenue	109.1	113.0	77.1	123.7	134.0	121.0	91.5	98.3	102.1
	YoY %*	8.3%	7.5%	-27.1%	11.9% (-14.8%)	22.8% (-5.2%)	7.1% (-9.7%)	18.7%	-20.5% (4.3%)	-23.8% (-1.3%)
HR Solutions	Revenue	74.6	79.1	55.1	48.5	52.1	58.2	56.5	57.5	62.8
	YoY %	-2.8%	-8.6%	-32.1%	-38.7%	-30.1%	-26.5%	2.7%	18.4%	20.5%
Total	Revenue	184.8	192.8	132.9	172.8	186.8	179.3	151.8	157.8	168.5
	YoY %*	3.7%	-0.4%	-29.1%	-9.3% (-24.8%)	1.1% (-15.5%)	-7.0% (-16.8%)	14.2%	-8.7% (10.1%)	-9.8% (7.9%)
	Adj. EBITDA	50.5	34.2	27.3	34.3	37.8	7.2	31.5	32.3	36.3
	Adj. EBITDA margin	27.4%	17.8%	20.6%	19.8%	20.2%	4.1%	20.8%	20.5%	21.6%
<b>Staffing</b>										
Japan	Revenue	146.5	143.6	145.8	138.8	142.7	142.5	146.9	145.7	155.7
	YoY %	4.1%	7.7%	5.9%	-0.7%	-2.6%	-0.8%	0.8%	4.9%	9.1%
	Adj. EBITDA	13.6	10.2	17.0	13.8	14.1	3.7	16.1	12.6	14.8
	Adj. EBITDA margin	9.3%	7.1%	11.7%	9.9%	9.9%	2.7%	11.0%	8.7%	9.5%
Europe, US, and Australia	Revenue	173.7	154.0	128.4	159.6	173.9	166.8	188.2	189.8	202.0
	YoY %	-8.7%	-9.8%	-26.6%	-10.2%	0.1%	8.3%	46.5%	18.9%	16.2%
	Adj. EBITDA	10.4	5.9	2.8	8.6	10.6	5.2	10.1	11.3	13.7
	Adj. EBITDA margin	6.0%	3.9%	2.2%	5.4%	6.1%	3.1%	5.4%	6.0%	6.8%
Total	Revenue	320.3	297.7	274.2	298.5	316.6	309.3	335.1	335.5	357.7
	YoY %	-3.3%	-2.1%	-12.3%	-6.0%	-1.2%	3.9%	22.2%	12.4%	13.0%
	Adj. EBITDA	24.1	16.2	19.8	22.4	24.8	9.0	26.2	24.0	28.6
	Adj. EBITDA margin	7.5%	5.4%	7.2%	7.5%	7.8%	2.9%	7.8%	7.2%	8.0%

\*Figures in parenthesis represent YoY % in revenue excluding Rent Assistance Program by The Small and Medium Enterprise Agency of the Ministry of Economy in Japan from Q2 FY2020 to Q4 FY2020

***Forward-Looking Statements***

This document contains forward-looking statements, which reflect the Company's assumptions and outlook for the future and estimates based on information available to the Company and the Company's plans and expectations as of the date of this document or other date indicated. There can be no assurance that the relevant forecasts and other forward-looking statements will be achieved. Please note that significant differences between the forecasts and other forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in individual users' preferences and enterprise clients' needs, competition, changes in the legal and regulatory environment, fluctuations in foreign exchange rates, and other factors. Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.

***Third-Party Information***

This document includes information derived from or based on third-party sources, including information about the markets in which the Company operates. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.