

Recruit Holdings Announces FY2018 Results

TOKYO, JAPAN (May 14, 2019) - Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") today announced financial results for the year ended March 31, 2019 (unaudited).

1. FY2018 Consolidated Financial Highlights

- Consolidated revenue +6.3%, EBITDA +13.5%, Adjusted EPS +23.5%
 - Record-high revenue, EBITDA and Adjusted EPS
- HR Technology segment continued its strong growth
 - Revenue increased +54.0% in US dollar terms, assuming accounting policy change was applied in FY2017 ⁽¹⁾

(In billions of yen, unless otherwise stated)	FY2017		FY2018	
	Actual	Forecasts	Actual	YoY
Revenue	2,173.3	2,302.0	2,310.7	+6.3%
EBITDA	258.4	285.0	293.2	+13.5%
EBITDA margin	11.9%	12.4%	12.7%	+0.8pt
Operating income	191.7	210.0	223.0	+16.3%
Profit attributable to owners of the parent	151.6	153.0	174.2	+14.9%
Adjusted profit	144.9	170.0	178.9	+23.5%
Adjusted EPS (yen)	86.74	101.76	107.10	+23.5%

2. Q4 and FY2018 Segment Highlights

HR Technology Segment:

- Revenue for FY2018 increased by 49.6% yoy (year on year) and by 54.0% yoy in US dollar terms, assuming application of an accounting policy change to the previous year on a pro forma basis⁽¹⁾; the increase was mainly due to increased sponsored job advertising revenue from new and existing enterprise clients at Indeed and the contribution from Glassdoor, which was acquired during Q1 FY2018. Quarterly revenue increased by 45.4% yoy and by 46.3% yoy in US dollar terms, assuming the same accounting policy change to the previous year's quarter on a pro forma basis⁽¹⁾.
- EBITDA for FY2018 increased by 55.0% yoy, and quarterly EBITDA increased by 44.1% yoy.
- Indeed attracts approximately 250 million monthly unique visitors⁽²⁾ and job seeker traffic continued to grow year on year during the quarter. Indeed had approximately 8,900 employees located in 29 cities and 14 countries as of March 31, 2019.
- Glassdoor attracts approximately 67 million monthly unique visitors⁽²⁾ and traffic grew double digits year on year during the quarter. Glassdoor had approximately 900 employees as of March 31, 2019.

Media & Solutions Segment:

- Revenue for FY2018 increased by 6.1% yoy, primarily driven by increased revenue in the Housing and Real Estate and Beauty subsegments in Marketing Solutions and in the Recruiting in Japan subsegment in HR Solutions. Quarterly revenue increased by 6.9% yoy.
- EBITDA for FY2018 increased by 10.4% yoy driven by higher profit in HR Solutions and particularly in Marketing Solutions. Quarterly EBITDA increased by 16.2% yoy.
- Housing and Real Estate revenue for Q4 increased, primarily by improving the user experience on its online platform, attracting more individual users to the platform by various marketing efforts, and strengthening the relationship with enterprise clients by providing operational and management services.
- Beauty revenue for Q4 continued to grow mainly by extending its reach to enterprise clients in non-urban areas and the outskirts of metropolitan areas.
- Recruiting in Japan revenue for Q4 increased. The extremely tight labor market continued in Japan, and the subsegment focused on enhancing brand value, strengthening user attractiveness, and reinforcing its sales structure.

Staffing Segment:

- Revenue for FY2018 and quarterly revenue decreased by 0.7% (Japan +6.5%, Overseas -5.3% (ex FX and IFRS15 impact: -1.6%)), and 4.9% (Japan +3.5%, Overseas -10.6% (ex FX and IFRS15 impact: -4.2%)) yoy, respectively.
- EBITDA for FY2018 and quarterly EBITDA for Q4 increased by 14.1% and 39.2% yoy, respectively. EBITDA for Q4 FY2017 was impacted by the increased advertisement to grow the number of registered staff in Japan operations.
- Japan operations revenue for Q4 increased as demand for agency workers continued to be strong, and placement revenue continued to increase as a result of revisions to Japanese laws, effective October 1, 2018, which encouraged enterprise clients to hire agency workers directly.
- Overseas operations revenue for Q4 decreased mainly due to an uncertain outlook for the European economy, while it continued to focus on profitability improvement and simplifying the operational governance model in Europe.

Revenue (In billions of yen)	FY2017	FY2018			
	Q4	Q4	YoY	Full Year	YoY
Consolidated results	556.4	580.3	+4.3%	2,310.7	+6.3%
HR Technology	61.9	90.0	+45.4%	326.9	+49.6%
Reference: (In millions of US dollars) Revenue in US dollars with accounting policy change applied⁽¹⁾	557	816	+46.3%	2,944	+54.0%
Media & Solutions	181.2	193.7	+6.9%	721.4	+6.1%
Marketing Solutions	96.4	105.2	+9.0%	400.4	+5.8%
Housing and Real Estate	24.7	28.1	+13.5%	104.1	+6.1%
Bridal	13.1	13.0	-1.2%	54.9	-0.9%
Travel	14.2	14.9	+5.1%	61.6	+4.7%
Dining	9.7	10.0	+3.4%	38.8	+4.0%
Beauty	16.8	18.7	+11.1%	72.0	+12.9%
Others	17.8	20.3	+14.5%	68.7	+6.0%
HR Solutions	83.0	86.6	+4.3%	316.8	+7.6%
Recruiting in Japan	76.8	78.2	+1.8%	283.9	+4.9%
Others	6.1	8.3	+36.7%	32.8	+38.3%
Eliminations and Adjustments	1.7	1.9	+9.8%	4.1	-41.2%
Staffing	319.9	304.1	-4.9%	1,290.2	-0.7%
Japan	128.9	133.4	+3.5%	542.5	+6.5%
Overseas	190.9	170.7	-10.6%	747.7	-5.3%
Eliminations and Adjustments	(6.6)	(7.6)	-	(27.9)	-
EBITDA (In billions of yen)					
Consolidated results	42.7	53.1	+24.2%	293.2	+13.5%
HR Technology	7.3	10.5	+44.1%	47.4	+55.0%
Media & Solutions⁽³⁾	27.8	32.2	+16.2%	172.4	+10.4%
Marketing Solutions⁽³⁾	15.5	18.8	+21.4%	109.8	+15.3%
HR Solutions⁽³⁾	16.4	17.9	+9.1%	79.2	+6.3%
Eliminations and Adjustments	(4.1)	(4.5)	-	(16.6)	-
Staffing⁽³⁾	9.8	13.6	+39.2%	82.9	+14.1%
Japan⁽³⁾	2.7	6.6	+145.7%	43.0	+27.3%
Overseas	7.1	7.0	-1.4%	39.8	+2.5%
Eliminations and Adjustments	(2.2)	(3.4)	-	(9.5)	-
EBITDA margin					
Consolidated results	7.7%	9.2%	+1.5pt	12.7%	+0.8pt
HR Technology	11.9%	11.8%	-0.1pt	14.5%	+0.5pt
Media & Solutions	15.3%	16.7%	+1.3pt	23.9%	+0.9pt
Marketing Solutions	16.1%	18.0%	+1.8pt	27.4%	+2.3pt
HR Solutions	19.8%	20.7%	+0.9pt	25.0%	-0.3pt
Staffing	3.1%	4.5%	+1.4pt	6.4%	+0.8pt
Japan	2.1%	5.0%	+2.9pt	7.9%	+1.3pt
Overseas	3.7%	4.1%	+0.4pt	5.3%	+0.4pt

(1) The Group adopted IFRS15 in the beginning of FY2018 and changed its accounting policy. Revenues from certain customers which were previously presented on a gross basis with agent commissions classified in cost of sales are now presented on a net basis. FY2017 numbers assume the same accounting policy change was applied on a pro forma basis. The US dollar base revenue reporting represents the financial results of operating companies in this segment on a US dollar basis, which differ from the consolidated financial results of the Company.

(2) Internal data based on Google Analytics service, January 2019

(3) The treatment of cost allocations in intra-group transactions was changed at the beginning of FY2018, resulting in a positive impact to segment EBITDA. Please refer to Appendix.

3. Consolidated Financial Guidance for FY2019

The Company is changing its prior guidance practices for FY2019 to reflect its rapidly changing technology business environment. The Company will no longer provide specific full year consolidated forecasts for revenue, EBITDA, operating income, profit attributable to owners of the parent, adjusted profit and adjusted EPS.

Below are consolidated financial guidance for FY2019:

- Revenue and adjusted EBITDA* for all three segments to increase
- Adjusted EBITDA* to be in the range of 310 billion yen to 330 billion yen
- Adjusted EPS to grow high single digits

The HR Technology segment revenue on a US dollar basis is expected to grow approximately 35% plus or minus a few percent. Adjusted EBITDA margin for the segment is expected to be approximately the same level as FY2018 plus or minus a few percent mainly due to continued investment in sales and marketing activities to acquire new individual users and enterprise clients and in product enhancements to increase user and client engagement.

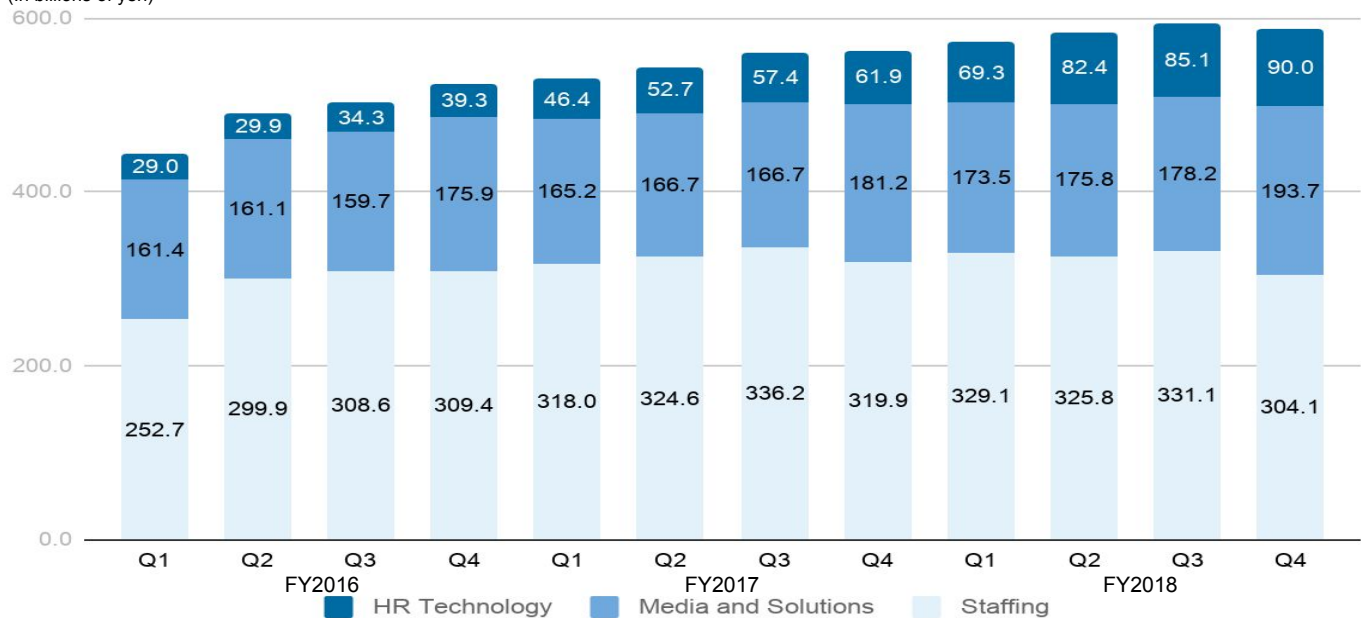
The Media & Solutions segment revenue is expected to continue stable growth. Revenue for Marketing Solutions is expected to grow mid single digits, and revenue for HR Solutions is expected to grow low single digits. Adjusted EBITDA margin for the segment is expected to remain at a level similar to that of FY2018.

The Staffing segment revenue is expected to grow low single digits, comprised of an increase in both Japan and Overseas operations, and adjusted EBITDA margin is expected to improve slightly from FY2018 by improving operational productivity.

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

Appendix: Quarterly Revenue by segment⁽¹⁾

(In billions of yen)



Quarterly EBITDA by segment⁽¹⁾ and EBITDA margin

(In billions of yen)



(1) The sum of the three segments does not correspond with consolidated revenue and EBITDA due to Eliminations and Adjustments, such as intra-group transactions.

Impact from Accounting Policy Change⁽¹⁾ in HR Technology Segment

(In millions of US dollars)	FY2017				FY2018				FY2017	FY2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Full Year	Full Year
Revenue (Accounting policy change applied) ⁽¹⁾	402	460	490	557	634	739	754	816	1,911	2,944
YoY	-	-	-	-	+57.6%	+60.6%	+53.7%	+46.3%	-	+54.0%

(1) The Group adopted IFRS15 in the beginning of FY2018 and changed its accounting policy. Revenues from certain customers which were previously presented on a gross basis with agent commissions classified in cost of sales are now presented on a net basis. FY2017 numbers assume the same accounting policy change was applied on a pro forma basis. The US dollar base revenue reporting represents the financial results of operating companies in this segment on a US dollar basis, which differ from the consolidated financial results of the Company.

Impact to Segment EBITDA YoY due to Change in Intra-Group Transactions

(In billions of yen)	FY2018			
	Q4 reported	Q4 adjusted	Full Year reported	Full Year adjusted
EBITDA YoY				
Media & Solutions	+16.2%	+10.1%	+10.4%	+6.3%
Marketing Solutions	+21.4%	+15.1%	+15.3%	+11.3%
HR Solutions	+9.1%	+6.6%	+6.3%	+4.2%
Staffing	+39.2%	+31.2%	+14.1%	+10.4%
Japan	+145.7%	+101.2%	+27.3%	+18.9%

Adjusted items for EBITDA and Adjusted Profit

(In billions of yen)	FY2018		(In billions of yen)	FY2019	
	Q4	Full Year		Q4	Full Year
EBITDA			Adjusted Profit		
Operating income	30.9	223.0	Profit (loss) attributable to owners of the parent	28.2	174.2
Other operating income	-0.3	-9.1	Amortization and intangible assets arising due to business combination	+5.0	+22.2
Other operating expenses	+4.7	+8.1	Non-recurring income	-2.5	-9.0
Depreciation and amortization	+17.7	+71.1	Non-recurring losses	+4.6	+8.0
EBITDA	53.1	293.2	Tax reconciliation regarding the adjusted items	-7.5	-16.5
			Adjusted Profit	27.8	178.9

Notes:
 EBITDA = operating income + depreciation and amortization ± other operating income/expenses
 Adjusted profit = Profit (loss) attributable to owners of the parent ± adjustment items¹ (excluding non-controlling interests) ± tax reconciliation regarding the adjustment items
¹amortization of intangible assets arising due to business combinations ± non-recurring income/losses
 Adjusted EPS = adjusted profit / (number of shares issued at the end of the period - number of treasury shares at the end of the period)
 Profit available for dividends = Profit (loss) attributable to owners of the parent ± non-recurring income/losses, etc.

The Group adopted IFRS 16 in Q1 FY2019, and changed its accounting policy. Pursuant to IFRS 16, a lessee generally must recognize a "right-of-use asset" for all leases, such asset representing the right to use the underlying asset over the term of such leases. A lessee also must recognize as its financial liability the lessee's obligation to make future lease payments. Under previous accounting standards, IAS 17, a company recorded lease payments of operating leases as rent expense. However under IFRS 16, a company must record depreciation for its right-of-use assets and an interest expense on its lease liability. As a result of the adoption of IFRS 16, EBITDA will increase because rent expense will decrease, while the depreciation of the right-of-use asset will increase. Therefore the Company decided to change the management KPI from EBITDA to adjusted EBITDA (such EBITDA is adjusted to exclude the main impact of the IFRS 16 adoption) to ensure comparability with the prior management KPI.

The "Group" refers to Recruit Holdings Co., Ltd. and its consolidated subsidiaries unless the context indicates otherwise.

Full set of material regarding FY2018 results announcement is posted on <https://recruit-holdings.com/ir/>.

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This document is based on the Company's earnings release for FY2018, and earnings releases are not subject to review by a certified public accountant nor an independent auditor.

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