February 14, 2020

Recruit Holdings Announces Third Quarter FY2019 Results

TOKYO, JAPAN (February 14, 2020) - Recruit Holdings Co., Ltd. ("Recruit Holdings" or the "Company") today announced its financial results for the nine months ended December 31, 2019 (unaudited).

1. 9 Months FY2019 Consolidated Financial Highlights

- Consolidated revenue +4.6%, Adjusted EBITDA +12.4%, Adjusted EPS +14.6%
  - Revenue and adjusted EBITDA increased in HR Technology and Media & Solutions.
  - Revenue and adjusted EBITDA decreased in Staffing due to the negative impact of foreign exchange rate movements and ongoing uncertain economic environment in Europe.
- HR Technology continued its strong growth
  - Revenue increased +34.5% yoy, +37.8% in US dollar terms (2)
- The Company has revised its expectation for FY2019 as follows:
  - The consolidated adjusted EBITDA to be approximately 320 billion yen.
  - Revenue and adjusted EBITDA for Staffing to decrease.

(In billion yen, unless otherwise stated)	FY2019			
	Q3	YoY	9M	YoY
Revenue	**608.5**	**+3.6%**	**1,809.7**	**+4.6%**
Adjusted EBITDA(1)	**92.1**	**+8.5%**	**269.8**	**+12.4%**
Adjusted EBITDA margin(1)	**15.1%**	**+0.7pt**	**14.9%**	**+1.0pt**
Operating income	**69.6**	**+6.1%**	**212.2**	**+10.5%**
Profit attributable to owners of the parent	**52.3**	**-1.9%**	**166.5**	**+14.0%**
Adjusted EPS (yen)	**35.69**	**+12.3%**	**103.65**	**+14.6%**

2. Q3 FY2019 Segment Highlights

HR Technology:

- Quarterly revenue increased by 28.6% yoy (year on year) and by 33.5%(2) yoy in US dollar terms(2); revenue growth was primarily driven by increased sponsored job advertising revenue. Recruiting solutions focused on sourcing and screening candidates and employer branding also contributed to revenue growth yoy.
- Quarterly adjusted EBITDA increased by 45.9% yoy. Adjusted EBITDA margin was 17.5% for Q3 FY2019, an increase from 15.4% for Q3 FY2018 primarily due to lower growth in sales and marketing expenses compared to the pace of revenue growth.
- As of Q3 FY2019, Indeed and Glassdoor attracted approximately 250 million and 60 million monthly unique visitors(3) and had approximately 9,800 and 1,000 employees, respectively.

Media & Solutions:

- Quarterly revenue increased by 3.7% yoy, primarily driven by increased revenue in the Housing and Real Estate, Travel and Beauty subsegments in Marketing Solutions.
- Quarterly adjusted EBITDA increased by 3.8% yoy due to increased revenue in Marketing Solutions.
- Quarterly revenue in Recruiting in Japan of HR Solutions decreased mainly because some enterprise clients, including in manufacturing, reduced their job advertising spend in the face of challenging business environments. However, the overall Japanese labor market remained extremely tight.

Staffing:

- Quarterly revenue decreased by 3.3% (ex FX impact: +0.1%). Quarterly revenue for Japan operations increased by 4.1% and for Overseas operations decreased by 8.7% (ex FX impact: -2.8%) yoy.
- Quarterly adjusted EBITDA decreased by 3.9% (Japan+1.9%, Overseas -10.6%) Adjusted EBITDA margin was 7.5%.
- For Japan operations, quarterly adjusted EBITDA increased mainly due to increased revenue. Adjusted EBITDA margin was 9.3%, similar to the 9.5% of the Q3 FY2018.
- For Overseas operations, quarterly revenue and adjusted EBITDA decreased due to the negative impact of foreign exchange rate movements and the ongoing uncertain outlook for the European economy. Adjusted EBITDA margin of 6.0% remained flat compared to 6.1% in Q3 FY2018. The segment continues to focus on utilizing the Unit Management System to optimize its adjusted EBITDA margin.

Q3 and 9 Months FY2019 Segment Highlights (continued)

Revenue (In billion yen)	FY2018 Q3	FY2019 Q3	FY2019 YoY	FY2019 9M	FY2019 YoY
Consolidated results[4]	587.0	608.5	+3.6%	1,809.7	+4.6%
HR Technology	85.1	109.5	+28.6%	318.5	+34.5%
Reference: (In million US dollars) Revenue in US dollars[2]	754	1,007	+33.5%	2,932	+37.8%
Media & Solutions	178.2	184.8	+3.7%	563.0	+6.7%
Marketing Solutions	100.7	109.1	+8.3%	325.5	+10.3%
Housing and Real Estate	26.5	28.4	+7.0%	82.7	+8.8%
Bridal	14.1	13.3	-5.7%	39.8	-5.1%
Travel	15.0	17.7	+17.8%	56.5	+21.1%
Dining	10.2	10.4	+1.9%	29.3	+2.0%
Beauty	18.3	20.7	+13.2%	60.4	+13.2%
Others	16.3	18.4	+12.4%	56.5	+16.8%
HR Solutions	76.7	74.6	-2.8%	234.9	+2.1%
Recruiting in Japan	69.0	65.8	-4.6%	207.8	+1.0%
Others	7.7	8.7	+13.2%	27.1	+10.9%
Eliminations and Adjustments	0.7	1.0	+42.5%	2.5	+13.5%
Staffing	331.1	320.3	-3.3%	950.4	-3.6%
Japan	140.8	146.5	+4.1%	424.1	+3.7%
Overseas	190.3	173.7	-8.7%	526.3	-8.8%
Eliminations and Adjustments	(7.4)	(6.2)	-	(22.3)	-
Adjusted EBITDA (In billion yen)					
Consolidated results[1,4]	84.8	92.1	+8.5%	269.8	+12.4%
HR Technology[1]	13.1	19.1	+45.9%	62.8	+70.5%
Media & Solutions[1]	48.6	50.5	+3.8%	148.6	+6.1%
Marketing Solutions[1,5]	33.1	35.2	+6.3%	97.3	+7.1%
HR Solutions[1,5]	19.7	19.7	-0.3%	64.6	+5.4%
Eliminations and Adjustments[1,5]	(4.2)	(4.4)	-	(13.3)	-
Staffing[1]	25.1	24.1	-3.9%	65.0	-6.1%
Japan[1]	13.4	13.6	+1.9%	36.9	+1.4%
Overseas[1]	11.6	10.4	-10.6%	28.1	-14.3%
Eliminations and Adjustments[1]	(2.0)	(1.6)	-	(6.6)	-
Adjusted EBITDA margin					
Consolidated results[1]	14.5%	15.1%	+0.7pt	14.9%	+1.0pt
HR Technology[1]	15.4%	17.5%	+2.1pt	19.7%	+4.2pt
Media & Solutions[1]	27.3%	27.4%	+0.0pt	26.4%	-0.2pt
Marketing Solutions[1,5]	32.9%	32.3%	-0.6pt	29.9%	-0.9pt
HR Solutions[1,5]	25.8%	26.4%	+0.7pt	27.5%	+0.9pt
Staffing[1]	7.6%	7.5%	-0.1pt	6.8%	-0.2pt
Japan[1]	9.5%	9.3%	-0.2pt	8.7%	-0.2pt
Overseas[1]	6.1%	6.0%	-0.1pt	5.4%	-0.3pt

(1) EBITDA and EBITDA margin for FY2018, adjusted EBITDA and adjusted EBITDA margin for FY2019
(2) The US dollar based 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.
(3) Source: Internal data based on Google Analytics service, Q3 FY2019.
(4) The total sum of the three segments does not correspond with consolidated numbers due to Eliminations and Adjustments, such as intra-group transactions.
(5) For Q3 FY2019, the segment profit of some subsidiaries in Marketing Solutions and HR Solutions is not adjusted for the impact of the adoption of IFRS 16. The effect of this is not material and such amount is included in Eliminations and Adjustments.

3. Consolidated Financial Guidance for FY2019

For FY2019, the Company expects:

- Adjusted EBITDA to be approximately 320 billion yen
- Adjusted EPS to grow high single digits
- Revenue and adjusted EBITDA for HR Technology and Media & Solutions to increase
- Revenue and adjusted EBITDA for Staffing to decrease

HR Technology revenue on a US dollar basis is expected to grow approximately 35%. Adjusted EBITDA margin for the segment is expected to increase slightly compared to FY2018 mainly due to continued investment in sales and marketing activities to acquire new users and clients and in product enhancements to increase user and client engagement.

Media & Solutions is expected to maintain stable revenue growth. Revenue for Marketing Solutions is expected to grow high 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.

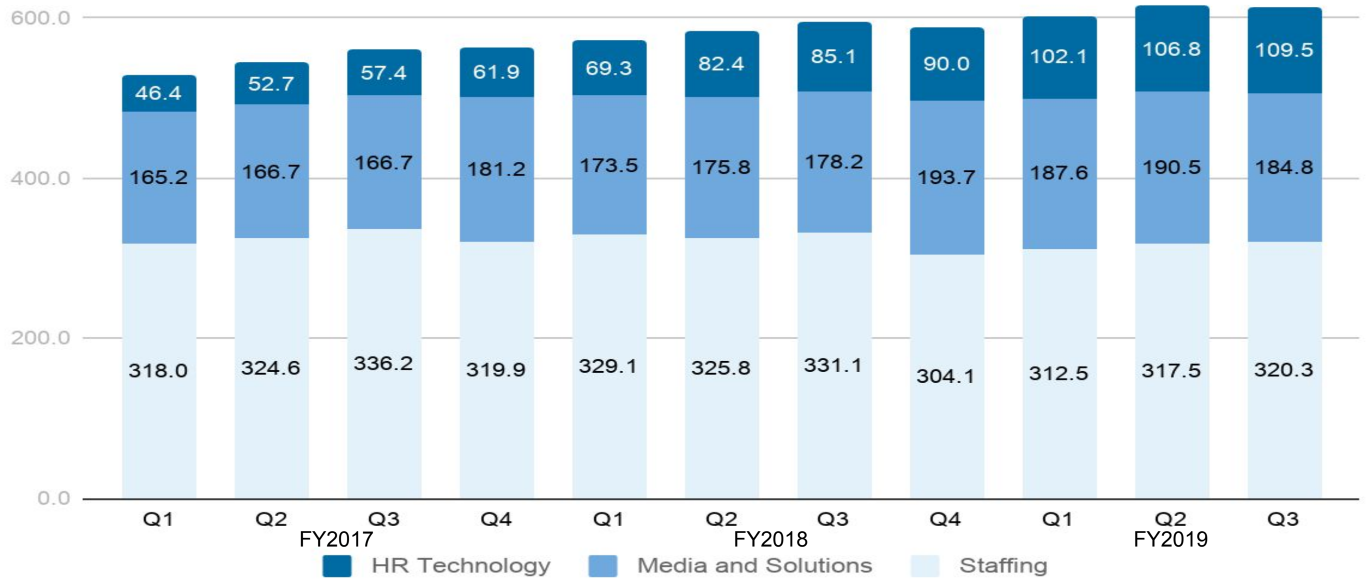
For Staffing, both revenue and adjusted EBITDA for Japan operations are expected to increase, however, those of Overseas operations are expected to decrease due to the continued uncertain outlook mainly in Europe and foreign exchange trends. Adjusted EBITDA margin for the segment is expected to remain at a level similar to that of FY2018.

The Company expects that the incident related to *Rikunabi DMP Follow* and the reorganization of the Media & Solutions SBU announced on January 6, 2020 will not have a significant impact to the Company's consolidated financial results for FY2019.

Appendix:

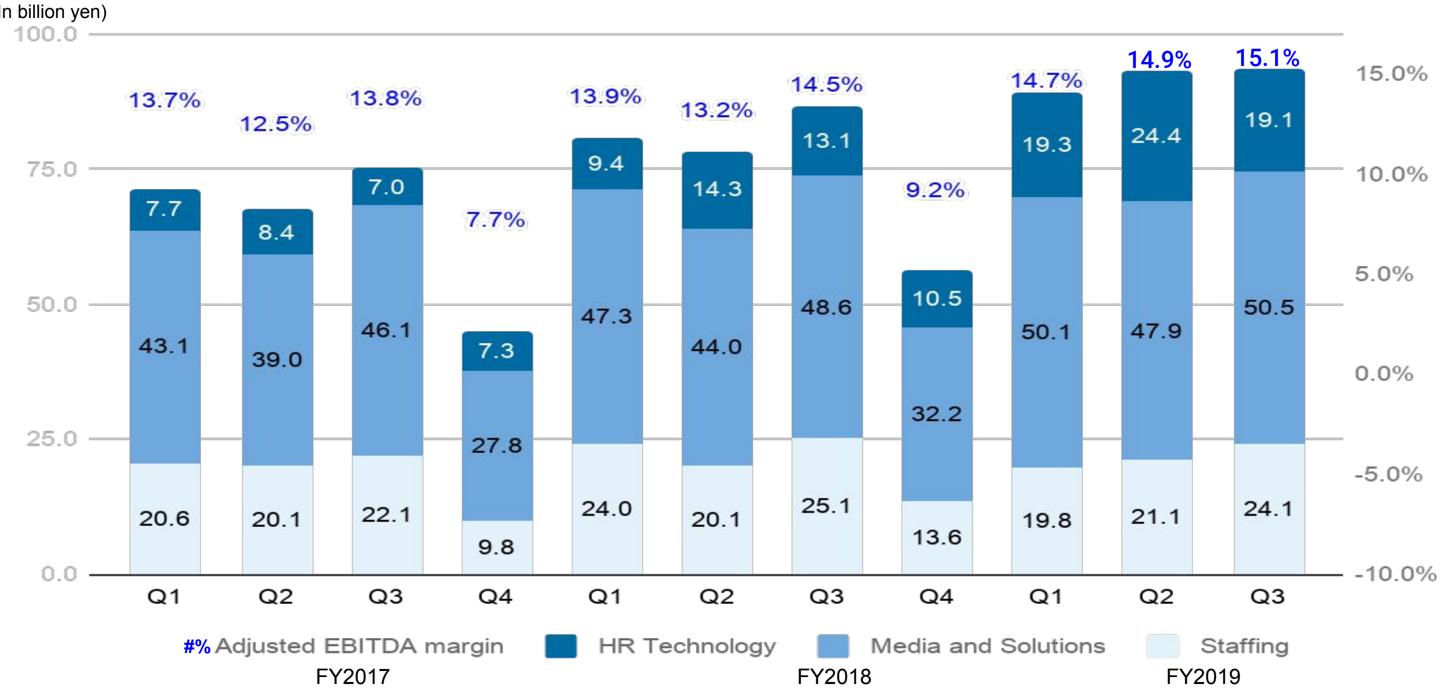
Quarterly Revenue by Segment[1]

(In billion yen)



Quarterly Adjusted EBITDA by Segment[1,2] **and Adjusted EBITDA Margin**[1,2]

(In billion 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.

(2) EBITDA and EBITDA margin for FY2017 and FY2018. Adjusted EBITDA and adjusted EBITDA margin for FY2019.

Adjusted items for Adjusted EBITDA and Adjusted Profit

(In billion yen)

Adjusted EBITDA	FY2019 Q3	FY2019 9M
Operating income	69.6	212.2
Other operating income	(0.2)	(5.6)
Other operating expenses	+3.7	+6.9
Depreciation and amortization	+28.5	+84.2
EBITDA	101.6	297.8
Depreciation and amortization (right-of-use-assets)	(9.4)	(27.9)
Adjusted EBITDA	92.1	269.8

(In billion yen)

Adjusted Profit	FY2019 Q3	FY2019 9M
Profit (loss) attributable to owners of the parent	52.3	166.5
Amortization and intangible assets arising due to business combination	+4.8	+15.1
Non-recurring income	+0.1	(16.7)
Non-recurring losses	+3.0	11.0
Tax reconciliation regarding the adjusted items	(3.0)	(5.0)
Adjusted Profit	57.4	170.8

Notes:
Adjusted EBITDA = operating income + depreciation and amortization (excluding depreciation of right-of-use assets) ± other operating income/expense
EBITDA = operating income + depreciation and amortization ± other operating income/expenses
Adjusted profit = Profit (loss) attributable to owners of the parent ± adjustment items (excluding non-controlling interests)± tax reconciliation regarding the adjustment items amortization of intangible assets arising due to business combinations ± non-recurring income/losses
Adjustment items = amortization of intangible assets by acquisitions ± 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 Q3 FY2019 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 Q3 FY2019, and earnings releases are not subject to review by a certified public accountant nor an independent auditor.

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