

Investor Day - Simplify Hiring

Chris Hyams - Monetization

March 27, 2024

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Chris: Thanks Raj.

Once more, we have two strategic priorities.

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First, improve the effectiveness of our marketplace in order to drive more hires, which Maggie & Raj just covered.

Second, as we improve matching and drive more hires, we need to effectively monetize the marketplace.

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The most common question we get here is “why don’t you just raise your prices?”. That’s a great question, and the answer goes back to our core value of pay for performance.

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The key to Indeed’s success from the very start has been our alignment to our customers, and to job seekers. We get paid when we deliver value, which means we grow revenue when we deliver more value. We can’t just raise prices by, say 10%, without jeopardizing that alignment.

However, there are multiple areas where we are charging less than the value we’re delivering, and that means significant opportunity to improve monetization by better capturing the value we already deliver.

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We started our journey from search engine to marketplace back in 2011 with the introduction of Hosted Jobs and Indeed Apply. Since then we have made extraordinary progress, with a 45% CAGR over the past 12 years.

This is an ongoing transformation and if we look at Indeed Apply penetration, we are barely halfway through this journey.

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That continued journey represents a massive opportunity ahead.

The key is that the marketplace total addressable market is significantly larger than the search engine TAM. The global HR matching market is north of \$300 billion.

When we look at the various segments that make up this market, the search engine opportunity is a sub-segment of Job Advertising and Talent Sourcing. At \$32 billion, it’s less than 10% of the total. The rest—recruitment automation, retained search, direct hire, and temp staffing—are all part of the larger marketplace opportunity.

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The global marketplace TAM is 10 times the size of search.

Our strategy to transform from search engine to a two-sided marketplace opens the doors to this significantly larger opportunity.

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We have a massive opportunity ahead along two simple dimensions:

First, we'll grow the take rate of existing customers.

Second, we'll expand our customer base with new employers.

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Our first monetization lever is to grow take rate. Take rate is a measure of the cost per hire as a percentage of first year salary. If it costs \$10,000 to deliver the hire of someone earning \$100,000, that's a 10% take rate.

Today, for hires we measure on Indeed, the average take rate is less than 1%.

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1% might seem reasonable, until we consider market pricing for traditional hiring platforms. Direct hire placement fees average roughly 20%, and executive search firms charge up to 40%.

So we can grow our take rate considerably and still have the advantage of offering a significantly lower cost per hire.

There are several levers to increase take rate on Indeed.

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One of the biggest levers to grow take rate is to continue to grow the share of paid interactions on Indeed. Our core value of putting job seekers first means that we want to have all the jobs a job seeker would be interested in, regardless of whether or not the job is paid.

The majority of jobs on Indeed are what we call "organic," or free. When a job seeker searches on Indeed, they see a blend of free and paid jobs. Over time, we have grown our customer base, so we have more paid job inventory.

And as our matching AI has improved, we have been able to dial up the percentage of matches from paid jobs. As we continue to turn the knobs on free and paid matches, take rate will go up. This is an essential point of our alignment of values with job seekers and employers. For most ad supported platforms, the ads are a distraction for the users, a necessary evil.

On Indeed, our "ads" are the reason job seekers visit — to get jobs. And even more importantly, paid jobs represent an employer who is even more eager to fill a position than those that are free.

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On average, sponsored jobs are 40% more likely to lead to a hire. So we can continue to grow the mix of paid vs free, and still put job seekers first.

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Another key lever is to continue to grow ATS integrations for Indeed Apply. Enterprise clients are responsible for a huge portion of all open jobs, and nearly all of them use an ATS to post their jobs.

As I mentioned earlier, Indeed Apply jobs on average spend twice as much per job, while delivering 2.5 times as many hires. This means that our effective monetization of Enterprise customers is driven considerably by Indeed Apply adoption.

Today, less than half of all jobs on Indeed are Indeed Apply-enabled.

We have major new ATS integrations rolling out in 2024, including with four of the largest ATSs in the world. This will open up significant opportunities for Enterprise expansion.

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Another key lever for increasing take rate is effective monetization for high salary jobs.

Throughout the HR industry, the higher the salary, the cost per hire goes up. But even more than that, the take rate also increases.

You can see this clearly in the sample data here from industry sources. For hospitality roles, we see an average cost per hire of about \$1,000 for jobs that pay around \$30,000, for an estimated take rate of 3.5%. For technical and scientific roles with a \$90,000 salary, the take rate goes up to 7%. Technical and scientific executive roles at \$150,000 salary have an estimated take rate of 26%.

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I mentioned before that Indeed's average take rate is less than 1%.

But if we look at our take rate by salary range, we see that our curve is in fact the opposite of the industry trend. As salary increases, our take rate decreases. Jobs we fill with a salary of \$100,000 have half the take rate of jobs with a salary of \$50,000.

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This is one big area where we are charging far less than the value we are delivering. We can turn the knobs on value based pricing — charging more for higher salary jobs — and directly increase take rate. We have a significant opportunity to close this gap, and we think we can drive even more value for these jobs over time.

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The final lever for increasing take rate is to continue the strategy of moving more employers from search to marketplace products. We are growing Indeed Apply integrations, and launching Smart Sourcing as Raj explained earlier. Long term, we will continue to innovate monetization models that are “closer to the hire”.

Indeed Flex and Indeed Hire are early stage experiments. They represent more value to employers—we deliver hires and completed shifts. They also represent a significantly higher take rate today of 5% - 10%, and address a significantly larger TAM. You'll hear more about Indeed Flex from Rob Zandbergen later today.

While we are focusing on growing the take rate from existing customers, of course, we are also focused on growing our customer base.

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As Raj shared, we have strong market awareness, preference and share in markets around the world. But there are numerous opportunities to grow our customer base.

At a high level, we have three key areas of focus.

First is our continued investment in international markets. 70% of our revenue today comes from the US, but 70% of global TAM is outside of the US. Japan is a key market for Indeed and Recruit, and you will hear more about our efforts there from Kitamura-san and Yamaguchi-san later today.

Next, our SMB business is powered by hosted jobs, which is driven by self-serve signups. By continuing to simplify and optimize the onboarding process, we can drive significant new spending conversions of SMBs.

Finally, we have substantial headroom to grow enterprise penetration. Our investments in Indeed Apply integrations will continue to open up new opportunities with Enterprise employers.

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We have significant headroom to expand our current monetization across these two dimensions.

We'll grow take rate by growing the mix of paid and free matches.

Growing Indeed Apply for enterprise employers.

Growing value-based pricing for high salary jobs.

Growing adoption of "closer to the hire" solutions.

And, of course we'll grow new customers.

These two strategies will work together to drive overall revenue growth.

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Our transformation from search engine to marketplace is well underway. But with Indeed Apply adoption at less than half, we are still in the early innings of this evolution.

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As we continue this strategy, we will drive more value for job seekers and employers, and unlock more of the nearly \$300 billion marketplace TAM.

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Overall, the key takeaways for Indeed are:

One, our core principles of "Job seeker first" and "Pay for performance" have fueled our position as the global leader in hires.

Two, ongoing AI innovation is fueling our progress to transform from a job search engine into a matching and hiring marketplace.

Three, we have significant levers to grow our take rate and customer base to effectively monetize our marketplace, and address a much larger HR matching TAM.

No doubt we have a lot of work ahead of us, but the opportunity to grow hires and revenue is inspiring

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When I joined Indeed in October 2010, we had 130 people, with just 45 in our Austin office where I work. Two weeks after joining, we moved into a new office space. In true startup fashion, we met on a Saturday morning with coffee, bagels, and yes, our own power tools.

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We assembled desks, installed power and cabling, and stocked the kitchen.

But as fun as this was, I had been working in startups for 15 years at that point, and at 130 people, Indeed was actually the biggest company I had ever joined.

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I was inspired by the mission and the people, but honestly, I was a bit worried that I'd missed all the fun.

Looking back now of course it's clear that we were just getting started.

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When I look at all the opportunities ahead of us today, I can say with absolute conviction that we are just getting started.

Thank you.

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