

## Investor Day - Simplify Hiring

**Rob Zandbergen** - Staffing Innovation: Increasing Productivity Through Technology

**March 27, 2024**

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### Slide 1-8-1

**Rob:** Hello, my name is Rob Zandbergen, I'm Head of the staffing business for Recruit Holdings. I have been working in the staffing industry for more than 20 years. And since 2018, I have been the CEO of RGF Staffing.

Today, I'd like to tell you about our "Simplify Hiring" initiatives.

### Slide 1-8-2

It is our mission to make employing easy. That is what gets us out of bed every morning. The temporary labor market is complex and far from efficient, for both employers as well as for employees.

Our people, who work in all our renowned local brands across the globe, put an enormous effort every day to support hundreds of thousands of employees and thousands of employers in organizing their work.

Helping to make employing easier for them! This is how we contribute to the prosperity of local working communities in all the regions we're in.

### Slide 1-8-3

The core of our work is placing people in temporary jobs.

In 2022, in any given week, an average of 275,000 people were working on assignments at our customers in a wide variety of professions and industries.

In RGF Staffing, we employ a total of close to 20,000 employees. Currently, we have a presence in 11 countries spread over 4 continents – Asia, Australia, Europe and North America.

In 2022, we achieved annual revenue close to 1.6 trillion yen. Our Adjusted EBITDA grew to over 100 billion yen.

In addition we are also very focused on continuously increasing productivity. We measure this through conversion ratio, which is calculated as adjusted EBITDA as a percentage of gross profit.

In 2022, our conversion ratio was 36%, which was the highest in the staffing industry.

### Slide 1-8-4

Here you see the ranking of the largest temp staffing players worldwide. Let's start on the left, where revenues are ranked in the bar chart and RGF Staffing ranked fourth. Our revenue was roughly half of the average revenue of numbers two and three. When looking at EBITDA, on the right, we see a different picture.

RGF Staffing's adjusted EBITDA is close to number two. This reflects our focus on continuous improvement and operational excellence, which has brought us to an exceptionally high level of productivity.

We can see this in the chart in the middle. It shows that RGF Staffing's conversion ratio was 36% in 2022, more than double the average of our peers. This is an important performance indicator within our staffing unit that we continuously measure and aim to improve.

Our dedication to continuous improvements and pursuit of operational excellence has made our operating cost levels highly competitive.

#### **Slide 1-8-5**

Compared to industry peers, RGF Staffing has the most competitive cost ratio. In 2022, SG&A as a percentage of revenue, amounted to approximately 11%. Among competitors, this percentage was much higher, estimated to be between approximately 14 and 19%.

Over the years we have consistently been able to grow our adjusted EBITDA.

#### **Slide 1-8-6**

At first, also driven by acquisitions to establish a global position, but since our last material acquisition of USG People in 2016, adjusted EBITDA growth was mainly driven by organic growth and increased productivity.

Even though we have not made any acquisitions in the past five years, our adjusted EBITDA has increased by approximately 40% during this period.

#### **Slide 1-8-7**

Also towards the future, we will focus on continuously increasing productivity and efficiency.

In the past years we did this as a stand-alone business unit. However, for our next steps, we will leverage the technology developed within Recruit, such as an unparalleled matching engine.

We are now in the unique position of having access to the capabilities and technologies within our entire Recruit group. With this, we will increase our focus on leveraging data and further automating our end-to-end process through incremental innovations. These innovations will lead to even greater competitiveness and a distinctive, excellent experience for customers and temporary workers.

We aspire to be the number one, most innovative platform in the staffing market.

#### **Slide 1-8-8**

Our markets offer plenty of opportunities for growth.

The temporary staffing market is approximately 40% of the HR Matching total addressable market. This makes it the largest segment with a size of 128 billion US dollars in terms of gross margin. The countries in which RGF Staffing is present cover approximately 3 quarters of the total staffing market, equal to a market size of approximately 100 billion USD.

This market is still very fragmented. The largest players have only a few percent market share and there are many players in the market with low productivity levels and limited technological capabilities.

We believe out-innovating competitors will enable RGF Staffing to take market share in its existing markets.

In addition within our current markets, Temporary Staffing penetration is still limited. The Temp staffing workforce represents approximately 2.5% of the total workforce. Automation and the use of technology will make the temporary market more efficient and more attractive. We believe the penetration can grow and increase the overall addressable market in the longer term.

#### **Slide 1-8-9**

Today's staffing processes are still inefficient and complex. The staffing business still has many labor intensive and complex processes with a lot of human interactions and manual work.

### **Slide 1-8-10**

In our core staffing operations, there are still many opportunities to further improve processes through the effective use of data and AI. Our current high level of productivity is largely related to well-organized traditional business operations.

When we consider the current state of automation and digital channels, there is still a long way to go. A lot of manual effort is still required at various steps in the process. We focus on accelerating the process from job opening to employment at our local companies by leveraging technology.

For example: Improve the speed and quality of matching, increase retention of workers and automate manual processes.

Basically, we are gradually transferring the core business towards automated and AI supported processes with less human interactions.

### **Slide 1-8-11**

As part of Recruit Group with our HR Technology and Matching & Solutions SBUs, we believe we are in a good position to 'out-innovate' traditional staffing competitors and make a meaningful contribution to the further development of a more efficient and more flexible labor market.

Within Recruit we have a whole range of innovative companies and billions of insights to draw upon to bring temp workers and companies together.

This offers the opportunity to leverage and scale digital and analytical solutions across our group.

### **Slide 1-8-12**

Through our collective efforts and innovations, we can boost speed in the process and accuracy of matching.

Firstly, we have Indeed Flex, as Chris already mentioned. This is a joint initiative of Indeed and RGF Staffing, which offers temporary staffing services from a digital marketplace. After starting this initiative in 2019, Indeed Flex has been operational in the US for some time now.

Secondly, we started working to leverage the best matching technology. We explore the use of matching technologies and knowledge to make matches better and faster. We do this step-by-step through many local initiatives.

Lastly, as a third layer, we work together to further develop automation of our workflow.

So, we act on several levels at the same time. As an example, let's watch a short video in which Milly explains how Indeed Flex helps her find work easily.

<video start>

**Milly:** I decided to use Indeed Flex because I was in between jobs at that time, and my friend suggested Indeed Flex just to fill in that gap. So, I tried a few shifts. I really loved it.

I find the app really, really easy to use. Even when I'm explaining the app to somebody else, it takes them seconds to understand it because it's just very, very straightforward. I like the fact that it's very innovative. Every few months there's a new update. It even makes it even easier to use. For instance, lately there has been an update about flexible earnings, so you can claim part of your income right after you've done your shift.

A couple of years ago, I decided to branch out on my own and I started my own travel website, So it's seasonal work. December is very busy, and then when it comes to February, it's less busy. So that's when Indeed Flex comes in. When I have less traction within my business, I get to do a shift within Indeed Flex to supplement my income.

One thing I love the most about Indeed Flex is the fact that even though you're not part of a team, it's not the case. Because when you turn up to a shift, even if it's a very new employer, you see other Indeed Flex people that you've seen before and you've actually built a relationship with. So you're never really alone in a shift. And that's the one thing I love the most about Indeed Flex.

<video end>

**Rob:** You heard from Milly how she turns to Indeed Flex during low seasons to boost her income and support her venture. I really like her story. It is just one of many examples in which a marketplace model can help organize work and offer opportunities.

Also, we are working on several initiatives to leverage the best matching technology and automate our processes to improve workflows.

#### **Slide 1-8-15**

For example, tests are currently underway at one of our major Japanese operating companies to start implementing Recruit's AI-based matching engine. In my nearly 25 years of experience in staffing, this is an exciting, innovative step forward. So far, the early results are very encouraging.

The data shows that the number of applications increased by 90% after the implementation of the AI-based matching engine. These are certainly promising initial results, especially considering that we are already far more productive than the competition.

This brings me to the end of my presentation. Let's close with some key takeaways:

#### **Slide 1-8-16**

Our growth has been driven by our commitment to operational excellence and increased productivity.

The large, highly fragmented temporary staffing market covers only a very small part of the working population and is prime for growth and disruption from a tech-led provider.

We are uniquely positioned to transform temporary staffing with the use of technology and collaboration across Recruit.

Our initial cross-Recruit initiatives have shown promise, and we see many opportunities to further increase productivity and temp work efficiency, the key to our future.

Now I will hand it over to Deko to provide a recap of the day.

**Deko:** Thank you for your time today. We hope you have gained a better understanding of the long term opportunity in the HR Matching market and how Recruit is well positioned to use its data and technology across our entire organization to help job seekers and employers.

Looking ahead, we are optimistic that the next decade will witness advancements in technology, especially AI, that will transform the job search experience into something completely different from what it is today. We are committed to leading this transformation and will do so with a deep sense of responsibility.

A job is important for everybody. Our goal is to ensure that everyone can find not just a job, but a job that sparks passion and changes lives.

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