

Investor Day - Simplify Hiring

Q&A Session

March 27, 2024

Matt: Hi, everyone. Thank you for joining us for the Q&A portion of our Simplify Hiring Investor Update. I'm joined on the stage by Deko, Maggie, Chris, Raj, and Rob. You've heard a lot today about our strategic vision and our product innovation, and we're eager to take your questions.

Please submit your questions in the box on your screen, and don't forget to put your name and company so they can be attributed to you. As a reminder, we'll be reporting results in May, so please reserve any financial guidance or outlook-related questions until then. So with that, let's get started.

We've already received a lot of questions, as expected, about AI, so let's start with a question there for you, Deko.

What are the greatest opportunities you see for AI to Simplify Hiring across all of Recruit's businesses?

Deko: Okay. The greatest opportunities. Let me talk a little bit about the travel booking industry. 20 years ago I was building a travel booking website. And at that time, the market, the vast majority was owned by offline travel agencies, offline businesses. Of course, newer technologies like faster internet connections and smartphones and better matching algorithms, so we all know that today, travel booking industry vast majority is done by online bookings.

Then when I think about HR matching business or industry, today still vast majority is done by offline agencies or offline businesses. When I was thinking the reason why it's still mainly offline is, HR matching is just simply way more difficult and more complicated compared to travel booking, hotel bookings. It's more like a one-to-one matching. It should be customized for job seekers, employers, for each job, everything is so different.

But finally, finally, AI technologies, especially large language model is becoming to be a real one. We're seeing great test results. I'm so excited to see it. It's almost like every week now.

For example, we are running a recruiting agency business, offline recruiting agency business with thousands of thousands of recruiters in Japan and we started to provide online job matching algorithm to recommend jobs for offline recruiters. We're seeing better results, better number of hires, and better satisfaction from job seekers. It's great. Today AI is better to recommend one job out of 1,000 jobs than probably human beings. Human beings, recruiters, are probably better to explain why this job is recommended for you.

We're going to keep improving this test and I think this is a great example why we are uniquely positioned to innovate this industry and we're going to keep improving large language models and AI models with data for the next 5 years or 10 years. I'm sure 10 years later how people are finding jobs will be a totally different experience compared with today. That's what I'm excited about, and this will be one out of few decades-type of opportunity, which I think is a great opportunity.

Matt: Great. We also get a lot of questions not only about the opportunities, but also about the risks associated with AI. Chris, here's one from Jun Kato at CLSA.

"How long is AI going to be your friend before becoming a threat? What is the biggest risk for the Simplify Hiring business model?"

Chris: So, I think as Deko said, there's plenty to be excited about. In terms of threats, I'm not sure exactly which part of this Jun was asking, but I'll give two answers.

There's the question of what disruptors might come along and disrupt us. Obviously no matter how successful you're as a company, you have to imagine that there are other people working as hard as we are. But then the

second question that is important is, what is the impact on the world of employment? If we're a business that helps people get jobs and AI ends up destroying a bunch of jobs, what does that mean to us?

Looking first from a disruptor perspective, clearly we spent, I think, a good amount of time today in the presentation talking about the fact that Indeed has an incredibly unique set of data, both in its breadth because it covers the entire labor market in 60 different countries around the world. Also in the depth, we have an extraordinary amount of information about job seeker intent, preferences, behavior, and employers and everything that connects the two sides and these outcomes.

AI really is powered by the breadth and depth of data. Obviously, we are paying a whole lot of attention to what else is going on out there, but we think we are uniquely positioned to use that data to drive these amazing innovations.

I think the really interesting question is what is AI going to do to the world of employment? You can go back to the 18th century in England when the Luddites smashed looms because they were worried that the weaving jobs were going to go away.

For every single new technology innovation over the last couple of hundred years, we've asked the same set of questions. If you look at where we are today, we by-and-large work fewer hours in safer conditions and enjoy a higher quality of life than at any time in history before. More jobs are created, technology has done great things for humanity.

However, at each of those introductions of new technological disruptions, there have been people who've lost their jobs and in some cases a whole lot of them. Now, it used to be that it took multiple generations, and now with the internet and then with AI, those cycles of disruption are happening faster and faster. What we as Indeed and Recruit really think about it. What is our responsibility? How can we play a part in helping out here?

There's two sorts of unique things that we are focused on. One is we have this incredible set of data. Our Indeed Hiring Lab, which is our team of economists, are watching constantly and publishing research about the potential impact of AI on the workforce. But we're really also watching new skills and jobs as they are appearing, other ones that are going away. We want to be able to identify when these disruptions are happening and do that as quickly as possible.

Then we want to help people find new opportunities as quickly as possible. We've put a huge amount of work. We have a number of big, public ESG goals that we've published for the year 2030. The most relevant one here is to cut the amount of time it takes for someone to find a job by 50%. That is something that we're committed to as a business because it's going to be beneficial to society. If people lose their jobs and we can help place them as quickly as possible, that's going to help alleviate some of these challenges.

But the unique thing about Indeed and Recruit, I think, is that our ESG work is really core to the business. If we can reduce the amount of time it takes for people to find a job by 50%, that's going to help society, but also it's going to help every employer who's trying to hire on Indeed and will help us grow the business and be more successful.

Matt: Well, you're both really obviously excited about the ability of AI to accelerate our Simplify Hiring strategic pillar.

Let's move on to another topic. This question is for you, Maggie, about knowledge workers. This is from Minami Munakata from Goldman Sachs. "My personal view is cultivating executive and white collar workers is key for Indeed to gain further market share. Do you agree with this opinion? If so, what are the key functions or services you need to have to serve these segments?"

Maggie: Yeah, so the first thing I would say is we definitely have knowledge workers on our platform. Chris mentioned our audience is broadly representative of the labor force. Minami, you may remember a slide that I showed that was talking about top occupations by apply starts, and it included things like operations and management, finance and accounting, technology, healthcare, so it's definitely true that knowledge workers

are important to our existing strategy. They're a big part of our existing audience and they are critical to our future growth.

Specific things we're doing that are important for knowledge workers: If you think about our efforts to get data about jobs, knowledge workers are really interested in knowing things like what is the culture of a company? Do I have to wear a suit to work? What's the pay going to be? Can I have any flexibility? Can I work remotely?

Our efforts with profile are also really important for knowledge workers because we're trying to understand their skills, their preferences. Knowledge workers have a lot of transferable skills. When we're trying to think about how to help them navigate our career journey, we need to understand what they're solving for, what they care about.

Then we need to acknowledge, knowledge workers do have lower turnover rates, and so we do try to engage them in other forums off Indeed. A part of that is our partnership with Glassdoor, which has a lot of knowledge workers engaging on it, both with community and content.

Then we have partnerships with companies like Stack Overflow to specifically target tech workers and bring them into our experience. Knowledge workers are important for our business, they're important for our growth, and we do have multiple specific strategies to target them and serve them.

Deko: Wait, wait. Can I add one?

Matt: Please, thank you.

Deko: Indeed grew 10 times in 10 years or something and the vast majority of our employees were hired through Indeed. I think it's probably working.

Matt: It's true. Thank you for that.

Raj, this next question is for you and it's about something you presented about the enterprise opportunity. You talked a lot about that there are 90% of Fortune 500 companies already utilizing Indeed. Here we have a question from Tetsuro Tsusaka at Morgan Stanley about that opportunity. "Where are you now in terms of client penetration and/or wallet share of total recruiting budget? What are the areas where Indeed is strong today and areas you need more effort or are not as penetrated yet?"

Raj: So as you know in sales, the first thing is to get your foot in the door. That's really a hard thing to do and we have done that with more than 90% of Fortune 500 companies now using Indeed. Now, we can certainly get that to 100% and we are on it, but really it's about deepening the relationship with these Fortune 500 companies that we already have relationships with.

For example, you heard me talk about Smart Sourcing, and that's an opportunity for us to go to these companies and help them educate how they can use the Smart Sourcing solution to make hiring simpler, faster, and better.

Now let me talk about, very clearly, our marketplace transformation and how that ties to our enterprise opportunity. First of all, when you think about marketplace opportunity, Chris already talked about this concept of Indeed applicable jobs as being a critical part of our marketplace.

Indeed applicable jobs by definition are great for job seekers because they can reuse their information when they apply. They're also really good for employers because they can hire faster, they can hire better, and they get a lot more applies. It's also great for Indeed because employers tend to spend a lot more when they use Indeed applicable jobs.

Guess what? Most of the large enterprises don't have Indeed applicable jobs. They have a large share of non-Indeed applicable jobs and we are on a journey to transform all of those jobs to become Indeed applicable and that's what we are really doing with our ATS transformation. That's number one.

Number two, Maggie just described, we have a lot of opportunity with knowledge workers and Chris mentioned how we can increase take rate with our strategy around how we go and deliver more value to employers. That's what we're really doing right now with large enterprises. That's our second strategy, keep increasing our take rate and by delivering more value to large enterprises.

Last but not the least, we actually believe as part of a larger Recruit family, it's really one plus one plus one equals three or greater than three, and so that's what we really focused on. How do we bring in everything from job advertising to staffing to bear and help large employers hire all types of workers that they need? That's really what it is, Matt.

Matt: Great. This next question is a question you touched on a little bit during your presentation, Chris, and it's about raising prices. "You've shown us so many ways that you've improved outcomes for job seekers and employers. Why can't you just raise prices?"

Chris: Yeah, so we get this question a lot and I did, I think, address it pretty directly in the presentation earlier.

But look, I think the key is we have a lot of opportunity to increase what we're getting in return for the value that we're delivering. What we don't want to do is just raise prices indiscriminately everywhere. We could raise prices, and that would be a short-term win.

As a business, what we're really focused on is long-term sustainable growth. So what we want to do is, look at the areas where we're delivering a whole lot more value. We talked about the take rate, and just as a reminder, take rate is the cost per hire divided by the estimated full-year salary.

Take rate across Indeed, on average right now is less than 1%. When we think about how much room there is, how much headroom, so industry average, let's say around 20%, there's a lot of room between 1% and 20%. If we can get that 1% up to 1.5% to 2%, it's a really significant opportunity.

It's really important that we do that in a way that keeps us aligned to our customers and keeps us aligned to job seekers. So I'll just remind again, I think I said it seven or eight times in the presentation, but the pay for performance core value that we have is really essential to our business. It allows us to stay deeply aligned with our customers, establish that trust and that relationship over long-term and then that leads to sustainable long-term growth.

Matt: That's really helpful. So shifting gears to you, Rob. This question is about synergies actually across Staffing and the other businesses within Recruit. So can you provide some details on the synergies between RGF Staffing and the other strategic business units at Recruit?

Rob: Of course. Sure. I think Raj already explained one plus one plus one should be more than three, and it's more than three. I think when I started all business units, and we have three, did our own thing basically, and we did do great, but then of course we started to work together and we will do even greater. If I give you one example, I can give a few examples.

For example, in Japan we have a lot of labor shortage. That's really a huge problem for Japan. So we started the project where we use the matching technology of Indeed, with that matching technology, we were able to get 90% more applicants out of our databases, and we have huge databases.

So when you have 90% more applicants, and really that is a great and huge and fantastic number, we can have far more, let's say people working for us. So we help Japan from a social perspective, but of course we also help ourselves. And this is really a great example where we show the strength of Recruit because we do have the people, we do have the data, we do have the skills that it needs to work together. And again, we did do great individually, but we will do even greater when we combine our strengths.

Matt: So that's great explanation of how we're really...

Rob: I can give far more examples, but that's enough for now.

Matt: I think it's a great explanation of how we're simplifying hiring across all of our businesses at Recruit, all the HR businesses.

So here Deko, we have a question for you, one that we always get. This one's about M&A. So how do you approach M&A? What are the areas of the business where an acquisition would accelerate your ability to Simplify Hiring?

Deko: So first of all, we are very open to all conversations with all parties and there are many good companies building great technologies. So we're open to talk with everybody. But the important thing for us is we just don't want to buy revenue or EBITDA.

We just want to innovate this HR matching industry. That's the most important thing. That's the vision. That's the goal for us. So we need to have a leadership team or founders who can have a really same passion to achieve this mission or vision. That is the most important thing. So that's how I'm thinking about M&A.

Matt: Okay. So let's move on to a topic that I know is on every investor's mind.

It's about take rate, and this one's for you Chris. So in light of Indeed's planned monetization strategies to increase take rate, could you share which initiatives will most significantly impact revenue in the coming year and which can be most easily implemented?

Chris: That's a great question and I think it's really important for us to have a wide variety of levers. We're investing in a number of different areas. Some of these will bear fruit in this year. Some of them will take more time and deliver more value in the coming years.

I think that the simplest way to talk about where the clearest short-term impact will come from the things that we have been doing for some time. So the areas that I mentioned, further Indeed Apply integration and penetration into enterprises and then the mix of free and paid listings on Indeed.

So with Indeed Apply, we talked quite a bit during the presentation about how it's really a linchpin of our marketplace transformation. The key to Indeed Apply is that it is better for job seekers. The apply rates are 5 times what they are for non-Indeed applicable jobs, it's great for employers. The hire rate is 2.5 times more, and those jobs on average spend twice as much per job. So it's good for Indeed.

As I talked about and Raj talked about, we have integrations with 4 of the largest ATSs in the world rolling out this year. And one of the things that's really great is that we have an established playbook for how when we get an ATS integration, how we go to an enterprise and explain, here's the data that we have, here's why it's going to be beneficial to you. It's going to help you hire. We feel pretty confident that that is going to bear fruit this year.

The other one is that mix of free and paid listings on Indeed. So when we first started as a business, as a pure search engine, our model was actually very similar to other search engines. We had free listings in the middle. We had a section at the top with a couple of paid listings. We had two or three at the bottom. There wasn't a whole lot of flexibility in terms of how we were able to manage that mix.

As we matured, we got more and more inventory and our matching improved such that we could actually show better sponsored or paid jobs. And we've moved over the last several years to a blended model now. So when you look at a list of jobs on Indeed, some of them will be organic, some of them will be paid. We have a huge amount of flexibility there. We've been able to dramatically increase the number of jobs that we're showing and that job seekers are interacting with.

And we can continue to do that as long as, like I said, we're doing this in a long-term sustainable way. But the key here, the most important piece is that sponsored jobs, paid jobs are actually measurably better for job seekers. They represent an employer who is willing to put money behind a job because they think that this is something that they really need to fill. And as a result, we see that those jobs are 40% more likely to lead to a hire. So we can do this in a way that is good for job seekers, good for employers, and good for Indeed.

Matt: Okay. So Maggie, this next question is for you and it's really about the importance of profiles for matching that you talked about in your presentation. So, can you please explain the distinction between job seeker profiles and resumes, especially regarding the 525 million profiles versus the 290 million profiles available for outreach?

Maggie: Yes. So the way to think about the 525 million is. Those are our job seeker accounts that have a verified email address, but really they are the heart of our relationship with job seekers. This is where we collect our understanding of their qualifications, their preferences, what they like, what they don't like, what jobs they want, what types of jobs they don't want.

And what's really important to us as part of our job seeker first principle is making sure job seekers know that information is theirs, it's transparent, they can edit it anytime they want. And that's why we give job seekers the option to opt into the employer outreach.

So the 290 million is the subset of the 525 that has said, "Yes, I want my profile to be visible and available for employers." And it doesn't just help employers who are using Smart Sourcing. It helps job seekers because as you saw in our presentations, when job seekers are matched to employers, when employers reach out to job seekers, the job seekers are more likely to apply, more likely to connect with employers, more likely to get a better outcome.

And I think the important piece about resume that I want to underscore is the resume in the context of a profile essentially becomes an artifact. To the extent that a resume is a piece of paper we've put into a PDF that we've put online, it's an artifact. It isn't a full representation of you as an employee of what you can do. The profile is intended to be much more holistic, much more comprehensive. And that's really why we see it as more of the heart of our relationship with job seekers.

Matt: That's really helpful.

Chris: Can I just jump in and just add one thing that is also I think easy to miss here. But the fact that there's a difference between those two is because we're giving job seekers agency. We're giving them the choice about whether or not they want to appear in public search. And we do that because of that core principle that we talked about of putting job seekers first. So we could very easily have made all 525 million of those searchable, but we want job seekers to opt in.

And what that really means is not only do they have the choice, but they're basically saying, "I am interested," which means that when people come and use Smart Sourcing and they're looking for job seekers, these are people who are opting into this process. They're not people who happen to be signed up for something else and might or might not be interested or responsive. So that distinction is actually really important because of who we are and those core principles.

Matt: Okay. So Deko, this question here is about something I know you spent a lot of time on.

So, synergies across our three SBUs, and this is from an investor on the call. So today you showed how the three SBUs have a similar philosophy and in fact working together to bring solutions to clients. Do you see a lot more collaboration potential ahead? Would it start blurring the boundaries between these SBUs a lot more in a few years time?

Deko: Okay. But my simple answer is yes. We want to push more collaborations because it's just simple. We are seeing almost like a jump-ish innovation of new technologies like Deep Neural Network or AI matching. This is a huge change. And instead of having Staffing SBU or M&S, job board for part-time workers and Indeed, different teams are working on improving AI matching. It's just probably not a great way to invest into our future and to innovate the HR industry.

Of course, besides no HR business, but the vast majority of our business, if it's related to HR, human resource matching, meaning how to improve the matching between job seekers and each job. So I think we're going to keep pushing the investment into the improvement of matching, and we're going to keep connecting different businesses with this core value as Recruit Holdings. That's how I'm thinking.

Matt: Great. So here, this question is for you Raj, and this one's about our pricing model pay per application, which we sunset earlier in the year.

So Raj, what are your key learnings from pay per application pricing tests, and how will these experiences shape your future pricing strategies?

Raj: So pay per application was a large-scale test that we started running about two and a half years back. And the idea here is very simple. When someone posts a job, we gave employers an option to pay per application as opposed to paying per daily budget, which used to be the default option.

And what that meant, employers would get applications and they would be able to determine after they received the application whether this met their standards or not. And they could decide to reject that application if they didn't want to have that application as part of their portfolio.

So the initial learnings were very, very good. We realized that employers were very happy with this concept of paying per quality application. Not just that, we saw faster time to hire and we saw higher dollar per job. That was one part of the learning.

The second part of the learning was that quality itself is nebulous. For one employer, it may be that if they receive an application for a nursing job with a nurse with three years of experience, that's great, but for another employer that may not be the case. So what ended up happening was quality was in the eye of the beholder.

The second part of that quality learning was, over time we realized a certain segment of employers were using it more as a cost control, not as a quality control. So this just became unsustainable. It was violating our principles of pay for performance, and we decided to sunset the test.

Now moving forward, this is really key to our future. We understand that employers are willing to pay for quality applications, they definitely want to pay for that.

And we are running tests where we are setting expectations around quality upfront. Before everything is done, before the application is delivered, we are setting those expectations correctly with the employer. And then we are also working with them to set budgets appropriately so they receive enough quality applications to make the hire.

And when we do these two things, that really changes the game and employers become way happier with the outcomes they receive. And we are running tests, for example, in the nursing segment, where we are seeing employers are spending up to two times per job and getting relevant applications and becoming happier. There's a lot more to come. We'll share soon.

Matt: That's really helpful, thanks Raj.

So the next question is for you Chris, and it's a question we get often asked. So it's about investment in matching in marketplace. So where are the areas of incremental investment required to accomplish the marketplace transformation?

Chris: So that's kind of our whole business, pretty much the marketplace transformation is the strategy, so everything we're doing is investment in that area. I think what I tried to cover, I think the sort of the big areas Indeed Apply is the sort of enabler of bringing, and again, just to reiterate, when we talk about a two-sided marketplace, it means that the job seekers are already on Indeed, so that half is there.

Employers, many of them, are not on Indeed. So these enterprise employers who are in applicant tracking systems, we're trying to bring them on Indeed to create the other side of the market. Indeed Apply integrations we've been investing in for many, many years. We have a lot of investments in that area, it's incremental in that we're continuing to do that, but that's not going to be necessarily a significant new effort, it's going to be a sustained effort as we continue to work on that.

The other big piece is matching. So that is as a two-sided marketplace, fundamentally what we do and we're investing in AI and in user experience to help connect both sides and to make sure that we're getting the right information and we're driving the right behaviors. The investments in AI from an incremental perspective, I'd look at it, there's sort of two parts to that. There's investment in talent and there's investment in infrastructure.

The investment in talent is ongoing. We have a really amazing team of AI and machine learning professionals who are building the foundation of the business and we have been and we will continue to invest. There are, especially in the last year and a half, there's a whole new field of generative AI that has been around for a while but suddenly has kind of exploded. We will continue to invest in new talent in that area.

The infrastructure side, that is a meaningful piece of our overall infrastructure investment, but one thing that is new in the last year and a half is that the vast majority of Indeed's AI work is our own models built from our own data that drive matching and all of the other behaviors that happen on the site. With the introduction of generative AI and its wide availability across multiple different vendors now. There's actually third party AI services that we can use.

We have never really been able to take advantage of that because so much of what we do is based on our really unique data. But what we can do is we can now combine these two things together. So we have a set of capabilities on the site today where, for example, when we're matching a job seeker to a job, we have these amazing models that do a really great job of identifying a job that would be good for a job seeker. But to make recommendations work, the person needs to understand why.

And so we've been able to combine that with third party use of generative AI. Once we get a match, we take the job and the job seeker's resume and some other experience, we pass that in and get back an explanation saying: "Hey Matt, this job is perfect for you because." That first set of experiments that we rolled out with that, we saw 20% increase in the take rate of these recommendations.

That's actually really amazing in a very, very short period of time. So there's a lot of power. That's something that we can take advantage of, that can be an incremental investment. But in that case, we've been able to do that critically in an ROI positive way because we can measure very precisely where the revenue from these matches is coming from and ensure that we're using the explainability generative AI in a way that's generating more revenue, and so we see a lot of opportunity to continue to invest in this new infrastructure in ways that will help us grow revenue.

Matt: That's really insightful, thank you Chris. Shifting gears to another topic that we presented on today, which is Indeed PLUS.

So we heard from Kitamura-san and Yamaguchi-san, but this question is from Haruka Mori at JP Morgan. Tell us about the uniqueness of the Japan HR market and background behind the launch of Indeed PLUS. What is the long-term business opportunity of Indeed PLUS?

Deko: Yeah, so first of all, we just want to deliver the best products and best services for the market. That's a very important thing. And so we have been running many different job boards, which are focusing on each segment like for part-time or for nurses, for full-time workers, for staffing workers. But when we think about the current Japanese market, especially the aging population, it is very challenging. All employers in Japan are having a really tough time filling their open positions.

So, I think we should extra focus on the efficiency and the productivity of the matching between jobs and job seekers. So again, as I said, we should focus on the investment. Instead of having three, four different teams thinking about the innovation of a next matching algorithm, we should have one team to improve matching. So I'm sure we will be delivering better results. And so far it's still short time, but we're seeing good feedback from our employers and job seekers and it's going to be better.

Matt: Great. So the next question here is another one we get asked a lot about, and I know that you presented about Rob, this one's for you.

So what factors contribute to your superior margins and conversion ratios compared to competitors? And what opportunities do you see for further improvement in these areas?

Rob: I have no secrets to share. It is just hard work and dedication, blood, sweat and tears. But before I answer, the question about future improvement, and then I have good news to share and excellent news to share. But first, why do we do so well? Why do we outperform our peers?

It's really hard work. We empower our local management. We are very, very disciplined. Disciplined in what we want to do, but also disciplined in what we don't want to do. We have a mean and lean cost structure, that's why if you see our cost structure as a percentage of revenue, we do quite well, we do better than our peers. And we steer on a conversion ratio. Conversion ratio, the definition is the percentage of gross profit, gross margin we convert into profitability. And we really steer on this, we manage on this and we compare.

And I think the combination besides the hard work and the blood, sweat and tears is that we do quite well. It's nice that we did do quite well in the past. It is very nice that we do well today, but of course it's even nicer when we would do well tomorrow because with the cash of yesterday, I cannot pay the bills of tomorrow. So what will we do in order to improve our performance further and to continue?

The good news is that we will do what we did, have we tried to improve further? But to be honest, can I do the same as the last five years where we really improved by far and outperformed the market by far, probably alone, that would be very difficult. But then the excellent news is I am not alone because I will be helped by my friend Raj, I will be helped by Chris, Maggie, and of course, Deko.

And that is really what set us apart as a staffing company, because we are a part of Recruit. So yes, do I have IT departments myself, yes. But I think Indeed and HR Technology both here and in the rest of the world has far bigger, let's say, IT departments than we have.

So we have a lot of data, we have a lot of capabilities, and they will help me to increase the profitability and of course the productivity, or I should say productivity first and then profitability will follow. And really it's also what Raj said, one plus one plus one will be more than three, and I think we have everything that it takes not only the data, not only the technology, but also the management to make it reality. I'm pretty sure and I'm very excited for the next five years.

Matt: So that really helps investors understand the opportunity in staffing.

Rob: It's hard work.

Matt: Yeah, it's hard work. And actually that's a nice lead into our next question. Before I jump to the next question. We are coming towards the end of our scheduled time, but we do have a number of questions still in the queue, so we're going to keep going. So this one is about TAM and staffing is actually the largest part of our TAM.

But this, I'm going to give to you, Deko and Chris. So this one is of the 300 billion plus TAM, how much of it is addressable by Indeed and by Recruit now and in the future? What will the TAM look like over time as technology becomes a bigger part of HR matching? Maybe you want to start Chris?

Chris: Sure. Yeah. So when we talk about our view of the TAM, that is what we think is addressable by Recruit. So those different areas, there's other spend in the HR world that we have not included in this \$300 billion plus. So I think the real question is as we tackle this and bring our innovation, do the different sectors shrink or do they grow? And I think the answer is yes, it's going to be a little bit of both.

Let's take for example, in recruitment automation, which is a pretty big, the \$64 billion estimated chunk. That is us looking at primarily what are the internal recruiting costs that companies bear? Huge amount as Deko said at the very start, huge amount of very, very manual human work. When we bring technology and AI and automation to that, we will certainly be making it more efficient, we should be taking some cost out, we should be able to capture a good chunk of that. Our guess is that that part will probably shrink.

But Rob talked about in his presentation that staffing, which is, as you just said, is the largest part. It's over \$120 billion. And that just for clarity, that's the net revenue, gross revenue and staffing is even larger than that. So the net revenue of \$120 billion, that might even grow over time.

And just for clarity, I mentioned the smallest piece is sort of where Indeed started in the search engine world in job advertising and talent sourcing at \$32 billion, that's actually much larger than it was 10 years ago, 20 years ago when Indeed started. So it's entirely possible that some of these will grow just as we bring more efficiency to it, that people might actually be able to spend more to get more value.

So I think the key is that when you look outside of job advertising, it is extraordinarily fractured. There is not one entity in any one of those areas that has anything like dominant market share. And in fact, outside of job advertising and talent sourcing, there's really no technology players that have a significant position, so we think that we are extraordinarily well positioned between Indeed, the Staffing business and all of Recruit to tackle this TAM.

Matt: Excellent. Deko, anything you want to add to this?

Deko: I don't think I got it. But I understand everybody is talking about TAM, TAM, TAM and TAM is very important for the business. I understand that, but long term, when I think about our business, I think even if it's TAM or not. I think if somebody is trying to find a job who can be passionate, that we need to help. We want to support everybody who is trying to find a better job. So that's very important thing for us as a vision and a mission. So that is that.

Matt: That's perfect. Actually, that's a great lead into the next question, which is for Maggie about how, and this is your vision for the job seeker team about being a career companion.

So what initiatives is Indeed taking to increase ongoing engagement with job seekers aiming to make Indeed a lifetime career companion rather than a platform for active job seekers? How does this strategy differentiate Indeed from social networking platforms?

Maggie: So as we think about what it means to become a career companion, we're thinking about understanding workers, understanding job seekers at a level that's fundamentally different than what anyone would put on a social networking platform. We are trying to understand their passions, what they're solving for. We're trying to be able to use that to recommend opportunities to them that align with their skills, their capabilities, and all the other parameters for life that people navigate.

And then we're also trying to help them find longer term career pathways. Things that they can think about for, well, 10 years from now, "What might I be able to do if I took this job now" or "I've built this skill", et cetera. And I think we're particularly excited about the capabilities of Gen AI to make this experience more like a conversation just like it would be with a real person.

So I sit down with a real person and I say, "Oh, I've been working at a bank for 20 years, but I'm a great writer and I don't want to commute to the city anymore. And what are my choices? How can I navigate that? I also would really love to work from home two days a week. How can I do this?"

So in that conversation, you're sharing more about you, what you're solving for than again you would ever put on a resume. And in that conversation we learn a lot. We will learn a lot about job seekers and what really matters to them, and that's what will make the recommendations fundamentally better and different than what we can do if we were just having people fill forms of what are you solving for, yes/no questions.

So I think that's the really important thing to think about as you think about Career Companion. It's understanding job seekers at a different level and then helping them navigate their choices throughout their career, not just at any one given point in time.

So I think the last thing I would share is we have a lot of investment in salary insights. We talked about company insights. Where can your skills take you in a career? Is a skill gaining in popularity or can you earn more if you gain a skill? Those are important investments for this Career Companion concept because it gives

us a way to have a conversation with the job seeker and be useful to them in all stages of their career, not just in the moments of transition. So a lot to be excited about, I think, here with where we can take it.

Matt: Thank you. This next question, and we have a lot of questions actually about our new products and this one's about Smart Sourcing, Raj for you.

So this is from Junko Yamamura at Citigroup, "The Smart Sourcing service is becoming somewhat similar to LinkedIn. What is the biggest difference between them? If it's about matching accuracy, will it take some time for clients to feel the effects. Is it possible to increase the budget share by improving matching accuracy?"

Raj: So let me start by talking about what sourcing is. So sourcing is when anyone, a recruiter or a hiring manager, is reaching out proactively to a job seeker, asking them to apply for a job opportunity as opposed to a job seeker finding a job on their own, searching for that and then applying. So that's really the opposite side if you think about it.

Now, sourcing is hugely manual. Deko talked about it. I also mentioned the same thing. We really have a problem where it takes more than 50 days to hire. And a large part of that is your time you spend in sourcing. And so how can we reimagine that? How can we actually change the way sourcing is done?

And so if I go back to our current product set, since 2018, we've had this product, Resume Search, which is again built on this concept of manual search and we made it better and better. But we also launched Matched Candidates, which is based on recommendations, matching based, where we fundamentally transformed how someone can source. And so we're bringing these together. And by bringing this together, we are calling it Smart Sourcing.

So let me talk about the three things that we really need to do to differentiate Smart Sourcing from anything that exists out there. First, let's talk about the reach. We are all talking about reach of active job seekers, job seekers who are actively looking. And Indeed has the highest number of active job seekers. This is not a social networking platform where you're passively looking, you're going in and actively looking for a job.

Second, number two, we are really talking about the power of matching. And to give you a simple example, when we talk about someone through Matched Candidates reaching out to a job seeker, the job seekers are 17 times more likely, you're 17 times more likely to apply for that job than if they found it on their own through search. So that's just the beginning of what we are doing with matching and we'll continue to expand that.

And number three, we really talk about faster connections. And this is really important, through smart messaging which is AI driven. Chris was talking about LLM based messaging. We are also talking about how do we do candidate highlights where we are really highlighting what's great about this candidate and how you can reach out in a personalized fashion.

All of these things really bring down that time through automation that is being spent manually. So if you do all of these things, we are clearly going to be differentiated among all the products out there, and we obviously hope that'll lead to higher revenue over time.

Matt: Great, Raj. This next question is about making getting a job as easy as pushing a button. So we always show the "Get an Offer button". And so for Chris, this one is for you. And I'm sure Deko, you have comments about this one as well. So this is from Jun Kato at CLSA.

"How many years will it take for people or how realistic is it to be able to change jobs in just one click without meeting anyone?"

Chris: So that's one of my favorite questions. First of all, it is very important to recognize that when one of the questions people have is, do people really want to just push a button to get a job? We talked earlier before about job seeker agency, we put job seekers first. If you look at the button, and again, I don't think we're going to build a blue button that looks like that physical thing that you push, but we could. But the idea is that if you look at the picture that Deko shows, that I showed, it says, "Get an offer." It doesn't say "accept an offer."

So what we want to do is, we want to take all of the stuff that is complex, slow, and impersonal and just automate all of that 100%. So someone can say, "Here's a set of jobs that actually I'm qualified for that are mine." And then they can do the very human thing of talking to people and trying to understand it. Obviously we're going to provide a lot of information and help them maybe learn stuff before they get there, but have a conversation and make a decision. The job seeker agency is really, really important.

But, this is not, and I talk about this because folks internally also ask this question, if it's or it's not a metaphor. We're very serious about this. And how long we'll take? The answer is we're doing it today. So Indeed Flex, Rob talked about this in his presentation, is an e-staffing platform for hourly workers. What we do is we do a bunch of vetting up front.

We're a W2 employer. We do background checks, we interview them, we make sure that they have these skills. And then once they're vetted and verified, they go into the platform, they can see and they can browse or get matched with a set of opportunities. They can push a single button, book that shift, go work it and get paid in the app the next day.

And so we're doing that right now very successfully in a very specific set of sectors, but I don't actually see any reason why it's going to only work for a certain set. So like, could this work for me? I'm actually pretty sure I could get a job without interviewing. And so if it can work for someone who's working in a restaurant and working for me, it should be able to work everywhere in between. So we think that this is a super exciting opportunity and this is what we're working towards.

Deko: Yeah. So as Chris said, it's relatively easy to just send offers to everybody, recommending offers to everybody, but it's going to be very difficult to recommend a job or sending offers or jobs which job seekers can be passionate or the job seeker can be excited to get the offers, right? So it might take time, it will take time, but the important thing is that part.

Matt: Okay. This next question here is about Indeed Apply. Actually it's going to be for you again, Chris. This is from Jiyong Oum from Nomura.

"What will the adoption curve look like for Indeed Apply? Considering ATS integration plans for 2024 and improvement in your products, maybe an uptick of penetration can go up high quickly."

Chris: So we talked quite a bit about Indeed Apply and in particular about these integrations with applicant tracking systems, which are these third party systems that large employers use. We have been building these integrations for many years. We have 300 of them. But for example, in terms of an uptick, I mentioned that we have the four of the largest ATS in the world, the integrations will be complete this year, that is iCIMS, Workday, Oracle, SAP. Between them, they have more than a million jobs. So that's actually a pretty significant uptick.

We have been working on some of these smaller ones. These big ones will open up a significant opportunity for us this year. As I said before, we have this really successful playbook of how to have a conversation once an ATS has those integrations with their customers. In fact, in many cases their customers have been begging for these for some time. And that's sort of drove the work that's getting done right now.

And so it's a technology work and then there's go-to-market work behind it. But we have a whole lot of experience and success with it, so we expect to see more success this year.

Matt: Okay. So it looks like we have time for one more question. And so Chris and Deko, this is a question I always get asked by investors. So certainly, we've learned a lot today about Recruit's opportunity to simplify hiring. But what do you feel may be underappreciated most about Recruit and Indeed? Maybe Chris, you could start from the Indeed perspective.

Chris: Yeah, so I think other than the "why can't you just raise prices", probably the biggest thing is the idea that Indeed is just for low-salary job seekers. And that is a misconception I think on a couple levels. The first, just in terms of the jobs and job seekers that we have on Indeed, are representative, it's a snapshot of the global labor force.

And so our data, it's really clear if you just look at the jobs, our hiring lab publishes a whole bunch of research and data and insights that are relied on by everyone from researchers and journalists to the European Central Bank. Christine Lagarde recently cited Indeed and our data as being essential to the work that they do to understand the global labor force.

Our job seekers, when Maggie talked about the profiles and the resumes, it is we have long-haul truckers to CFOs, everything in between. You look at any dimension based on salary or sector, it's a representative snapshot. But I think the more important sort of thing that this misconception belies is that somehow low-salary job seekers are worth less.

So we have everyone, our mission is to help all people get jobs. But if you look at the labor force, look at the US, look at the Bureau of Labor Statistics data, 85% of US workers earn less than \$100,000. And even though you're getting paid more at the higher end, 66% of all wages in the US are for people who earn less than \$100,000. Furthermore, people in lower-salary jobs change jobs more frequently. They have higher turnover, which means there's more hiring activity, there's more placements. So more of the business is actually going on there.

So for us, we want to service the whole market. This is a bigger chunk of the market, but we actually want all of it because if you think about there is no large employer anywhere in the world that only employs people who earn more than \$100,000.

So for Walmart, we can help Walmart place their data scientists and we can help them with their retail associates. And they hire a whole lot more retail associates than they do data scientists. But it's really important for us to be able to help them with all of their hiring. And so if we do that, then we can just help more people around the world get jobs.

Matt: Great. And Deko from a Recruit perspective?

Deko: I don't know if we are underappreciated or not, but what I know is we are committed to improve HR matching. We are committed to improve how people will be getting a job, people will be hired. We are responsible for it. If 20 years later, 30 years later or 50 years later, people are still struggling to find a job, that's our responsibility.

So of course I cannot say we can make everybody to be happier globally, but I can say that if people can find a job which they can be passionate, their lives will be better. A little bit better probably. So that's our responsibility. We really believe that. So I really want, we want to achieve our vision to improve the HR matching. That's how I'm thinking.

Matt: Great. So thank you Deko. And thank you Maggie and Chris and Raj and Rob. So that concludes our Simplify Hiring Investor update. A recording of today's event will be available on the Recruit IR site later today.

As a reminder, over the next few days, you'll be able to hear about our other two strategic pillars, Help Businesses Work Smarter and Prosper Together. And you can tune into those on our IR site as well. Also, look out for a survey in your inbox over the next few days after these investor updates' complete. We're really interested in hearing your thoughts and gathering your feedback. So thank you very much for joining us today. Arigato Gozaimasu.

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Forward-Looking Statements

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