Services

Singapore

# HRnetGroup Ltd (HRNET SP)

# Consistent compounder

# BUY

| | |
|---|---|
| Share Price | SGD 0.76 |
| 12m Price Target | SGD 0.87 (+20%) |

## 45% of market cap in cash; Re-initiate with BUY

HRnet is one of Singapore's largest recruitment agencies, Asia-based and founded in 1992. Today, it operates in 18 Asian cities with over 1,056 people across 41 business units and 20 brands. The Group specialises in professional recruitment, executive search, and flexible staffing solutions. With a strong cash position of SGD336m, the Group is able to remain steadfast even during downturns. We are re-initiating coverage on HRnet with a BUY and 12-month TP of SGD0.87, based on 18x FY26E P/E.

## Co-ownership model is a strong economic moat

Beyond just being a regional recruiter, we believe HRnet is structurally difficult to replicate. With its boots on the ground across several APAC countries, the Group is powered by a co-ownership model of 47 entrepreneurs who built their businesses from scratch and are economically aligned to collaborate rather than compete. This fosters a culture that competitors cannot easily poach or reproduce. Expansion into new growth nodes such as AllwaysFirst Vietnam in Ho Chi Minh City and doudou in Taipei reflects the continued scalability of this model, as ownership, talent density, and regional integration deepen over time.

## Dual-engine businesses act as a stability anchor

HRnet's earnings profile is anchored by Flexible Staffing, which provides a predominantly recurring base of revenue and gross profit, and supporting stability across different business cycles. While Professional Recruitment captures upside during periods of economic expansion, Flexible Staffing delivers steady volumes, consistent cash flow, and strong client retention. Together, this dual-engine model has enabled HRnet to remain profitable through every major downturn since 1993, reinforcing that its dividend is not simply aspirational but backed by a long and consistent track record of good earnings quality.

## Trading at good discount to regional peers

HRnet's SGD336m net cash position, which represents about 45% of its market cap, should be viewed as more than just a defensive buffer. It creates a clear valuation disconnect. After adjusting for cash, investors are effectively acquiring one of Asia's largest recruitment franchises at about 9x FY26E (ex-cash) P/E, a meaningful discount to global peers. This balance sheet strength also provides flexibility to capture market share from weaker competitors during downturns and to pursue disciplined M&A when opportunities arise, while continuing to return capital through a well-established dividend track record.

| FYE Dec (SGD m) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenue | 567 | 584 | 604 | 626 | 643 |
| EBITDA | 68 | 73 | 70 | 73 | 76 |
| Core net profit | 45 | 46 | 48 | 50 | 53 |
| Core EPS (cts) | 4.5 | 4.7 | 4.8 | 5.1 | 5.4 |
| Core EPS growth (%) | 8.1 | 2.9 | 3.9 | 5.6 | 5.1 |
| Net DPS (cts) | 4.0 | 4.2 | 4.3 | 4.4 | 4.5 |
| Core P/E (x) | 15.0 | 16.1 | 15.6 | 14.8 | 14.1 |
| P/BV (x) | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Net dividend yield (%) | 5.9 | 5.6 | 5.7 | 5.8 | 6.0 |
| ROAE (%) | 11.8 | 13.1 | 11.8 | 12.3 | 12.7 |
| ROAA (%) | 9.3 | 9.3 | 9.4 | 9.7 | 10.0 |
| EV/EBITDA (x) | 6.3 | 6.7 | 7.1 | 6.8 | 6.4 |
| Net gearing (%) (incl perps) | net cash | net cash | net cash | net cash | net cash |
| Consensus net profit | - | - | 49 | 53 | 65 |
| MIBG vs. Consensus (%) | - | - | (1.8) | (4.4) | (18.4) |

Eric Ong
ericong@maybank.com
(65) 6231 5849

**Company Description**

*HRnetGroup provides personnel recruitment and human resource related services under two key segments: Professional Recruitment and Flexible Staffing*

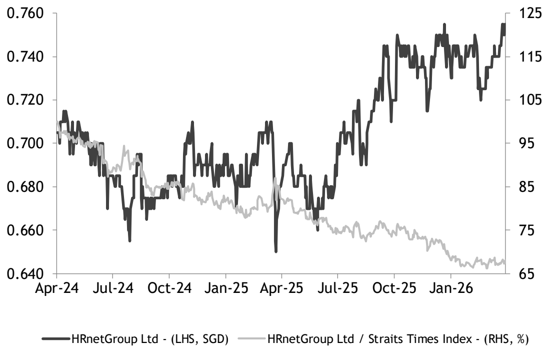
**Statistics**

| | |
|---|---|
| 52w high/low (SGD) | 0.76/0.66 |
| 3m avg turnover (USDm) | 0.1 |
| Free float (%) | 19.3 |
| Issued shares (m) | 1,004 |
| Market capitalisation | SGD757.8M |
| | USD598M |

Major shareholders:

| | |
|---|---|
| Simco Global Ltd. | 79.2% |
| Fidelity Management & Research Co. LLC | 5.3% |
| HRnetGroup Ltd. | 2.5% |

**Price Performance**




| | -1M | -3M | -12M |
|---|---|---|---|
| Absolute (%) | 3 | 1 | 11 |
| Relative to index (%) | 1 | (2) | (17) |

*Source: FactSet*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Tear Sheet Insert

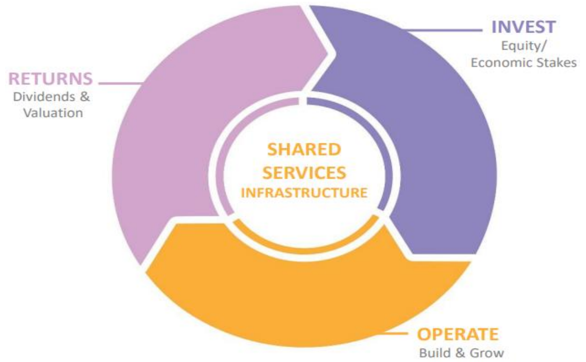


Co. Reg No: 198700034E
MICA (P) : 099/03/2012

## Value Proposition

- A balanced business model with complementary Professional Recruitment and Flexible Staffing segments, which support performance across economic cycles while enhancing client retention.
- Geographical diversification and multi-disciplinary capabilities allow the Group to serve clients with varied staffing needs across multiple APAC markets.
- An extensive client base of over 4,000 companies, including several Fortune 500 firms operating in the region.
- A proven co-ownership model, with 47 business leaders who hold equity stakes in the units they manage, driving accountability, collaboration, and sustained growth.
- Market leadership in Singapore, recognised by Frost & Sullivan as one of the top three recruitment firms by both number of licensed consultants and revenue.

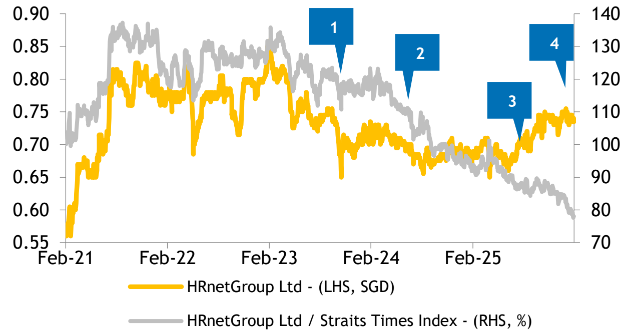
### Co-ownership operating model




*Source: Company*

## Price Drivers

### Historical share price trend



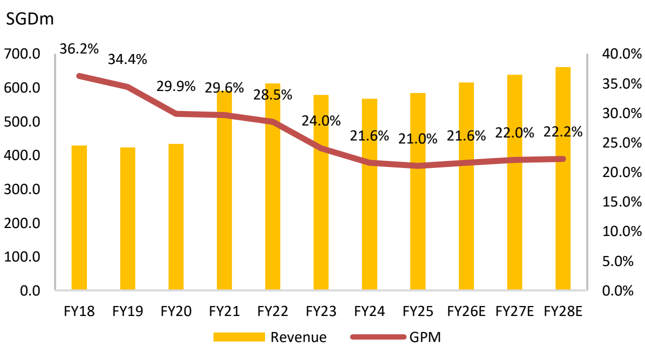

*Source: Company, Maybank IBG Research*

1. In Jan'24, HRnet successfully registered its employment services business license in Hsinchu to grow the Flexible Staffing business of RecruitFirst (Taiwan).
2. In Aug '24, the Group won Singapore's Best Managed Companies award 2024 by Deloitte Private for the third-year in a row.
3. In Sep'25, HRnet established its first wholly -owned subsidiary in Vietnam, AllwaysFirst, marking its 18th city of operation.
4. In Jan'26, the Group secured a project with Outward Bound Singapore (OBS) to implement its workforce management system, thereby streamlining OBS's operations.

## Financial Metrics

- Two complementary segments provide margin resilience across economic and hiring cycles, as evidenced by relatively stable margins over the past three and a half years.
- A healthy ROE of 14–15%, achieved despite a largely ungeared balance sheet.
- Low capex intensity, which supports strong free cash flow generation.
- Minimal working capital requirements, as the Flexible Staffing segment does not involve holding talent "inventory".

### Revenue and GPM trend




*Source: Company, Maybank IBG Research*

## Swing Factors

## Upside

- Stronger-than-expected organic growth in existing markets, particularly in Singapore, where its perceived market dominance leaves limited headroom for further growth.
- Successful and swift execution of its M&A strategy to acquire accretive businesses.
- Expansion of other fee-generating services, such as payroll processing and HR consulting, to augment the Group's core services while strengthening customer retention.

## Downside

- Weaker-than-expected organic growth in existing markets, along with potential margin pressure from intensified competition in key markets.
- Execution missteps in M&A, creating a drag on returns due to an idle balance sheet or non-accretive acquisitions.
- Attrition among the Group's key performers and customer relationship managers.

ericong@maybank.com

# ESG@MAYBANK IBG

ericong@maybank.com

| | |
|---|---|
| Risk Rating & Score[1] | na |
| Score Momentum[2] | na |
| Last Updated | na |
| Controversy Score[3] | na |

## Business Model & Industry Issues

- As a recruitment firm, the Group's core asset is human capital, and thus it places a strong emphasis on staff development, engagement, and retention. By supporting employee growth and progression, HRnet Group cultivates a highly driven and effective workforce.
- The ongoing emphasis on digitalisation within the HR industry requires reassessing various aspects of the Group's business. This includes both internal areas such as benefits management, working arrangements, and training and education for its workforce, and external-facing elements like its methods of outreach to clients and candidates, as well as bridging the gap between employees and employers.
- The Group's unique Co-Ownership scheme offers high-performing employees the opportunity to pursue entrepreneurship, invest in the Group or new ventures, and participate in both the upside and risks of business ownership.

## Material E issues

- Even after the reopening post-COVID-19, remote working and work-from-home arrangements have become more prevalent among many companies.
- With a reduced office footprint, the Group could downsize, cutting back on office space and energy usage. This would also mean fewer people commuting to work by car.
- HRnet embarked on its Task Force on Climate-Related Financial Disclosures (TCFD) reporting journey in 2022. These disclosures provide stakeholders with more transparent and forward-looking information about its approach to managing climate risks.

## Material S issues

- HRnet Group seeks to prioritise local hires for leadership roles in every overseas expansion. This allows the Group to kickstart operations as a local business with a staff who are acutely aware of local nuances and achieve more effective client engagement when serving the domestic market.
- It has also committed to the UN's Sustainable Development Goals, particularly those aimed at promoting sustainable economic growth, decent work for all, and reducing inequalities.

## Key G metrics and issues

- The board comprises of nine directors, of which three of the four executive directors are Sim family members i.e., Mr Sim Yong Siang, Mr Sim Joo Siang and Ms. Adeline Sim.
- The nominating, audit and remuneration committees are all chaired by independent directors including industry veterans Hiroshi Sato who is CFO and Director of Open Up Group (engineering staffing company listed on the Tokyo Stock Exchange) and Albert Ellis (CEO of Staffline Group plc listed on the AIM market of the London Stock Exchange).
- None of the independent directors has served on the board beyond nine years from their first appointment date.
- SIMCO Ltd's (controlled by the Sim family) deemed stake in the company is almost 80%.
- Key management and directors' compensation accounted for 3.2%/2.4% of total employee compensation in 2025.
- The Group employs a reputable external auditor, Deloitte & Touche LLP, appointed on 12 August 2020.
- The recruitment industry is heavily regulated, with the Ministry of Manpower overseeing regulations. Non-compliance can result in costly fines and reputational damage.
- The Group has therefore put in place a whistle-blowing policy and reporting channels for employees to flag any suspicious, illegal, or non-compliant practices.
- In 2023, there were no incidents of corruption or non-compliance with laws or regulations, nor any resulting in significant fines or non-monetary sanctions.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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| | Quantitative Parameters (Score: 40) | | | | | |
|---|---|---|---|---|---|---|
| | Particulars | Unit | 2023 | 2024 | 2025 | KELYA US (2025) |
| E | Scope 1 GHG emissions | m tCO2e | N/A | N/A | N/A | 1,553 |
| | Scope 2 GHG emissions | m tCO2e | N/A | N/A | N/A | 9,469 |
| | **Total** | **m tCO2e** | N/A | N/A | N/A | 11,022 |
| | Scope 3 GHG emissions | m tCO2e | N/A | N/A | N/A | 5,577 |
| | **Total** | **m tCO2e** | N/A | N/A | N/A | 16,599 |
| | GHG intensity (Scope 1 and 2) | tCO2e/t | N/A | N/A | N/A | 3.6 |
| | Energy intensity (per headcount) | GJ/hc | 2.17 | 2.11 | 1.98 | N/A |
| | Water intensity (per headcount) | L/hc | 75 | 80 | 126 | N/A |
| | Decrease in paper use year-on-year | % | 14% | 3% | 8% | N/A |
| | Cases of environmental non-compliance | number | 0.0 | 0.0 | 0.0 | 0.0 |
| S | % of women in workforce | % | 76% | 73% | 72% | 71% |
| | % of women in senior management roles | % | 74% | NA | NA | 66% |
| | Incidences of non-compliance with laws | number | 0 | 0 | 0 | 0.0 |
| | Average training hours per employee | hours | 46 | 43 | 28 | N/A |
| G | MD/CEO salary as % of reported net profit | % | 1.60% | 1.46% | 1.26% | 2.5% |
| | Board salary as % of reported net profit | % | 2.40% | 2.79% | 2.48% | 3.5% |
| | Independent directors on the Board | % | 56% | 56% | 56% | 78% |
| | Female directors on the Board | % | 33% | 33% | 33% | 44% |
| | Dividends payout ratio as % of net profit | % | 60% | 85% | 81% | 15% |

**Qualitative Parameters (Score: 52)**

a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?
*The committee is tasked with developing a sustainability strategy, while keeping the Group's overall long-term plans and vision in mind; and setting relevant KPIs and targets, as well as managing and monitoring overall sustainability performance*

b) Is the senior management salary linked to fulfilling ESG targets?
*No*

c) Does the company follow the task force of climate related disclosures (TCFD) framework for ESG reporting?
*Yes, the Group started its TCFD in 2022.*

e) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?
*No*

f) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?
*Management has completely revamped its entire onboarding process to make it paperless, thereby reducing its environmental impact. It recruits engineers for environmental firms , as well as sustainability professionals. The Group also consciously seeks to rent offices in green buildings.*

g) Does carbon offset form part of the net zero/carbon neutrality target of the company?
*No*

| Target (Score: 80) | | |
|---|---|---|
| **Particulars** | **Target** | **Achieved** |
| Maintain zero confirmed incidences of leaks, thefts of customer data/losses | 0 | 0 |
| Maintain zero confirmed incidents of discriminations | 0 | 0 |
| Maintain zero confirmed incidents of corruption | 0 | 0 |
| Maintain zero non-compliance with local laws and regulations | 0 | 0 |
| Target an average of at least 60 hours per year per employee | 60 | 64 |
| **Impact** | | |
| NA | | |
| **Overall score: 53** | | |
| As per our ESG matrix, HRnetGroup (HRNET SP) has an overall score of 53. | | |

| ESG score | Weights | Scores | Final Score |
|---|---|---|---|
| Quantitative | 50% | 40 | 20 |
| Qualitative | 25% | 52 | 13 |
| Target | 25% | 80 | 20 |
| **Total** | | | **53** |

As per our ESG assessment, HRnet has an established framework, internal policies, and tangible medium/long-/long-term targets, but must make headway in improving its quantitative "E" metrics year on year. HRnet's overall ESG score is 53, which ranks its ESG rating above average, in our view (average ESG rating = 50)

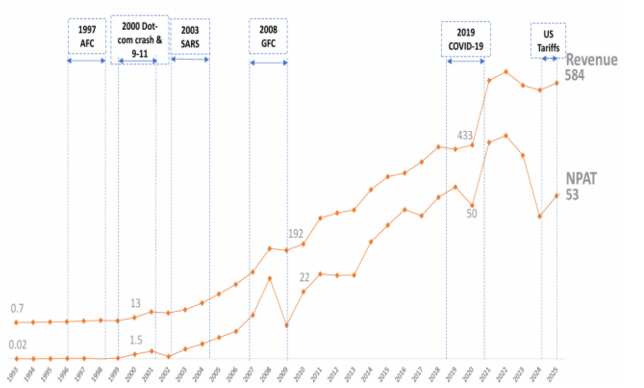
# 1. Investment thesis

## 1.1 Robust balance sheet & steady dividend

HRnet's financial strength has consistently been anchored by a net cash moat, with a debt-free balance sheet and around SGD336m in cash, gold, and treasury bills as of FY25. This represents about 45% of its market cap, providing the Group with a strong margin of safety and a significant discount to its enterprise value, allowing investors to buy the core business. Complementing this, HRnet operates an asset-light business model with minimal fixed assets and zero debt, which drives high capital efficiency and allows the Group to generate strong returns on equity while maintaining operational agility.

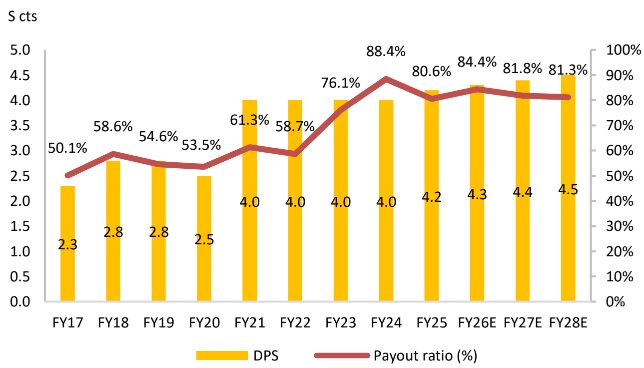
At the same time, the Group functions as a reliable yield play, offering a consistent dividend yield of almost 6%. The Group plans to keep its 4 cents as a base dividend, and increase the payout when profits rise and investment realizations are significant. Thanks to its low capital expenditure requirements, HRnet can sustain high payout ratios of 70–80% while still preserving sufficient cash to fund acquisitions and support long-term growth. This emphasis on sustainable growth has allowed HRnet to remain profitable in 31 of the last 33 years, proving that its yield is backed by consistent, high-quality earnings. Together, these strengths create a balanced and resilient financial profile that underpins both shareholder returns and strategic flexibility.

**Fig 1: Revenue and NPAT**




*Source: Company*

**Fig 2: Dividend payout**




*Source: Company, MIBG Research*

## 1.2 The unique co-ownership model

Currently, 47 Business Leaders are co-owners of the units they run, operating as entrepreneurs with direct participation in the profits they generate. This model underpins 41 business units across 20 brands in 18 cities, supported by a workforce of 1,056 employees. Since its IPO, the number of co-owners has more than doubled from 22 to 47, with more than 10 new co-owners admitted in 2025. The Group has consistently positioned its growth strategy around developing owners rather than simply hiring managers.

In fact, HRnet has long differentiated itself from global peers such as Hays and Robert Walters through its Co-Ownership Scheme. Through this approach, top-performing leaders of its business units are encouraged to purchase an entrepreneurial stake in the subsidiaries they manage, effectively becoming co-owners of their respective businesses. This "skinin-the-game" model is a primary reason the Group has successfully scaled 1,056 people across 41 business units and 18 Asian cities.

**Fig 3: Business leader co-owners**


*Source: Company*

By aligning the interests of leading consultants with those of shareholders, the model supports the retention of high-calibre talent and mitigates the risk of attrition. It also promotes disciplined cost management during slower hiring cycles by fostering a culture of ownership and accountability. Over time, this approach has enhanced consultant productivity and strengthened the Group's operational resilience, enabling consistent performance across its diverse portfolio of business units.

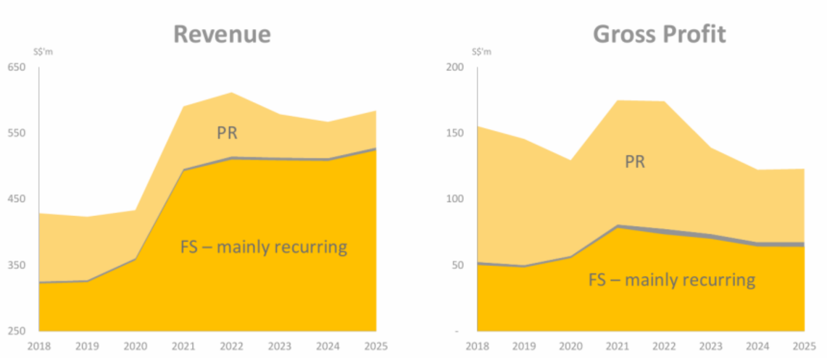
## 1.3 Diversified dual-engine revenue

The company balances two distinct business segments to thrive across varying economic conditions.

Its Flexible Staffing segment, contributing about 90% of revenue, acts as the Group's defensive engine. During periods of uncertainty, companies increasingly rely on temporary contractors rather than permanent hires, providing HRnet with steady, recurring cash flow and consistent volume.

Meanwhile, the Professional Recruitment segment focuses on mid-to-senior executive search. Though more cyclical in nature, this segment delivers near-100% gross margins and drives profit surges during economic recoveries, serving as the Group's growth engine.

**Fig 4: Contribution by segment**




*Source: Company*

HRnet also benefits from operational synergy across its 41 business units and 20 brands, which target a diverse range of segments from executive search to mass manpower. This dual structure is further de-risked by regional diversification across 18 major Asian cities, combining local expertise with broader network advantages. While Singapore's hiring market has cooled, the Group has leveraged its "bright spots" in North Asia. Specifically, in Taiwan, management has seen a surge in volume driven by the semiconductor and tech sectors, proving that its 18-city footprint allows it to rotate capital towards whichever geography or sector is currently outperforming.

## 1.4 Future-proofing against tech displacement

HRnet has strategically shifted its focus to areas where its expertise and network provide a clear edge, to counter the commoditisation of mid-level recruitment by AI and platforms such as LinkedIn. This includes deep penetration into healthcare, allied education, and kindergarten teaching, which have become significant revenue drivers.

The Group has also placed greater emphasis on C-suite and senior leadership roles, which are typically more resilient during economic downturns and require a level of judgment and personalisation that technology platforms cannot easily replicate. In parallel, HRnet has expanded geographically into high-growth markets such as Vietnam, with a focus on the technology sector, while strengthening its presence in North Asia, including Greater China and Korea, to reduce reliance on the Singapore market.

To sustain productivity, the Group has expanded its internal tech team to 20 specialists and mandated "AI fluency" for all consultants. This ensures that while AI handles the "commodity" tasks of mid-level recruitment, HRnet's consultants focus on high-value C-suite searches and specialised verticals. Specialised brands such as doudou, offering Employee of Record (EOR) services, and Octomate, focusing on HR fintech solutions, cater to clients requiring instant, borderless solutions. In addition, the Group is pursuing sector expertise, exemplified by the launch of AllwaysHRnet, a semiconductor-focused recruitment specialist in Mainland China, reflecting a deliberate shift toward high-growth and strategically important industries.

## 1.5 Octomate has the potential to scale up

In Jan 2026, its HRtech brand, Octomate, secured a key project with Outward Bound Singapore (OBS) to implement its workforce management system and streamline the agency's operations. The platform will optimise workforce management for OBS's 250 staff members by centralising roster scheduling and leave planning, enabling intelligent allocation of instructors based on certified skills and availability, simplifying complex work rotations and leave requests, flagging potential scheduling conflicts, and providing a mobile-responsive interface for real-time access and updates in the field.

Separately, Octomate was also awarded a substantial contract by the Sentosa Development Corporation (SDC), winning in a competitive tender against eight other bidders. The engagement covers SDC's operations on Sentosa Island, with a workforce of about 750 employees, and involves implementing an integrated Cloud Services system to centralise time and attendance, leave and absence, and payroll processing. The initial contract term is three years from January 2026, with an option for a two-year extension, further highlighting Octomate's growing footprint in the HRtech space and its ability to deliver scalable, technology-driven solutions to large agency.

# 2. Corporate information

HRnet is one of the largest Asia-based recruitment agencies in the Asia Pacific, backed by its extensive network of 1,056 talents across 18 cities. The Group operates two core business segments, Professional Recruitment and Flexible Staffing, designed to meet the evolving needs of businesses across various industries.

1) **Professional Recruitment:** (HRnetOne, PeopleSearch, PeopleFirst, SearchAsia, HRnetRimbun, REForce, REcruit Legal, AllwaysHRnet, AllwaysFirst) focuses on placing mid- to senior-level executives across sectors such as technology, financial services, healthcare, and government.

2) **Flexible Staffing:** (Recruit Express, RecruitFirst, RecruitFast, Octomate Staffing, Career Personnel, CREW by HRnet) provides workforce agility, enabling clients to scale teams up or down for project-based and contract staffing needs.

3) Beyond its core segments, the Group has built an integrated ecosystem of workforce solutions. **Octomate**, its workforce management SaaS platform, enables clients to digitally manage contingent workers through onboarding, rostering, timesheets, AI-powered claims processing, and instant payments. doudou, the Group's Employer of Record (EOR) brand, launched in Taipei in 2025, facilitates cross-border hiring without the need for local entities. LEAPS by HRnet provides HR consulting services, while EASE, its mobile job platform, supports self-service hiring.

**Fig 5: Diversified customer base**

| | Customer since | 2025 Revenue Contribution |
|---|---|---|
| 1. Client (Financial & Insurance) | 2000 | 4.8% |
| 2. Client (IT services) | 2022 | 4.5% |
| 3. Client (Financial & Banking) | 2004 | 3.1% |
| 4. Client (Retail & Consumer) | 1999 | 2.5% |
| 5. Client (Retail & Consumer / Education) | 2010 | 2.3% |
| **Contribution from Top 5 clients** | | **17.2%** |
| **Contribution from Top 10 clients** | | **25.9%** |

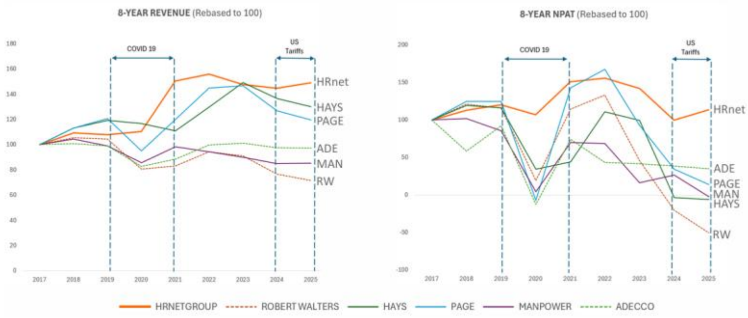
*Source: Company*

This integrated model supports a highly diversified and sticky customer base, with an average client relationship of approximately 18 years. It is particularly valuable for multinational companies expanding in Asia, which can engage HRnet for executive search, Recruit Express for staffing, doudou for EOR solutions, and Octomate for workforce management, all under one umbrella.

# 3. Competitive landscape

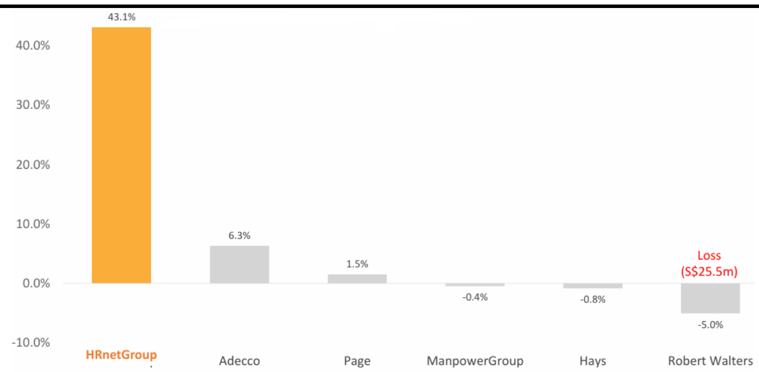
Despite its smaller revenue scale relative to regional peers, HRnet has demonstrated consistent profitability, supported by resilient margins and a stable return on equity. Net margins have remained in the high-single digits to low-double digits, while ROE has consistently stayed above 10% in recent years. Notably, HRnet's net margin of approximately 8-11% exceeds that of several peers, including Persol and Kelly, reflecting disciplined cost management and a strategic focus on professional recruitment over lower-margin temporary staffing.

**Fig 6: Outperforming industry peers**




*Source: Company*

**Fig 7: 2025 superior conversion**




*Source: Company*

AI is reshaping hiring dynamics by encouraging companies to hire fewer but higher-value employees, making each hire more consequential. As entry-level white-collar positions decline, the talent iceberg expands, with remaining roles requiring greater judgment that human recruiters are uniquely positioned to assess and access.

At the same time, leaner organisational structures are driving demand for flexible staffing, digital workforce management via Octomate, and cross-border hiring solutions through doudou. Management believes AI is therefore reshaping the industry to HRnet's favour, rather than diminishing its addressable market.

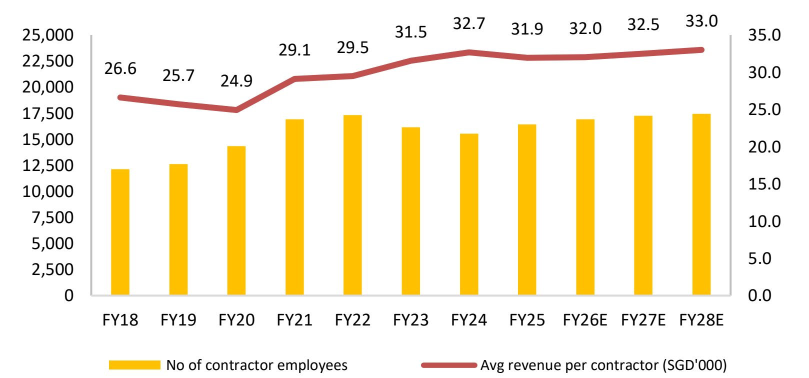
# 4. Financial analysis

## 1.1 Revenue and earnings model analysis

In FY25, the IT & Tech sector accounted for 24% of Group business, including digital hiring, with 12% of this segment coming from AI-related roles. Financial & Insurance contributed about 21%, supported by steady demand from core financial services. Healthcare, Life Sciences, and Retail & Consumer each accounted for around 14%, giving HRnet a well-balanced and resilient portfolio across key industries.

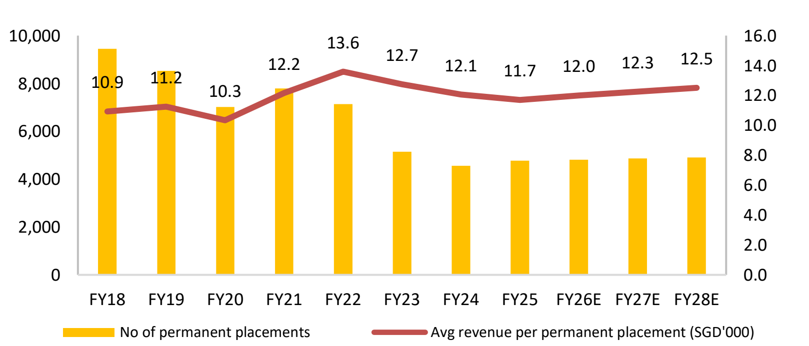
The Group also served government clients in Singapore, Hong Kong SAR, Taiwan, and Mainland China. Public-sector revenue rose steadily, increasing from 14% in 2023 to 15% in 2024 and 16% in 2025. This segment carried no credit risk and provided large, stable volumes, which helped support the Group's cash flow and kept its operations steady, particularly during slower periods.

**Fig 8: Flexible staffing average revenue per contractor**




*Source: Company, MIBG Research*

**Fig 9: Professional Recruitment Average Revenue per Placement**

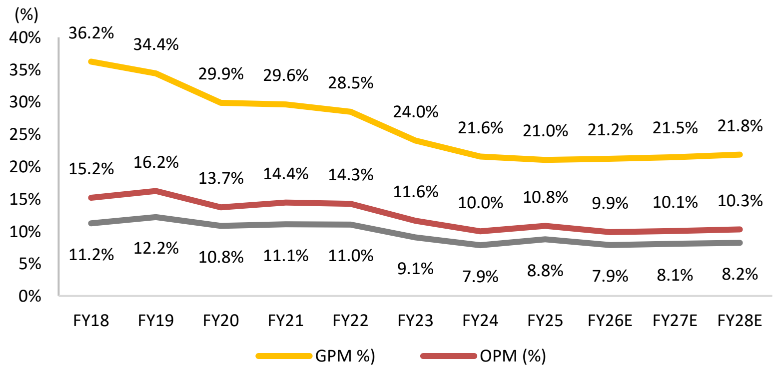



*Source: Company, MIBG Research*

In FY25, FS contributed 89.7% of Group revenue, which increased by 3.2% to SGD524.1m. The average number of monthly contractors rose by 5.6% to 16,421, as growth in Taiwan, Indonesia, and Mainland China offset the decline in Singapore. FS GP remained stable at SGD63.8m, with an average GP margin of 12.2% (FY24: 12.6%). GP per contractor in Singapore held steady, while international markets experienced some pricing pressure.

PR contributed 9.6% of revenue and 45.2% of GP, with a GP margin of 99.6%. Revenue increased 1.6% to SGD55.8m, and GP rose 1.3% to SGD55.6m. Placement volume grew by 4.6% to 4,766. Senior executive search led performance, with GP increasing by 16.2%, supported by a 7.2% rise in placements and an 8.4% improvement in GP per placement. Stronger activity in Taiwan, Mainland China, South Korea, Thailand, and Malaysia offset softer conditions in Singapore.

**Fig 10: Margins trend**




*Source: Company, MIBG Research*

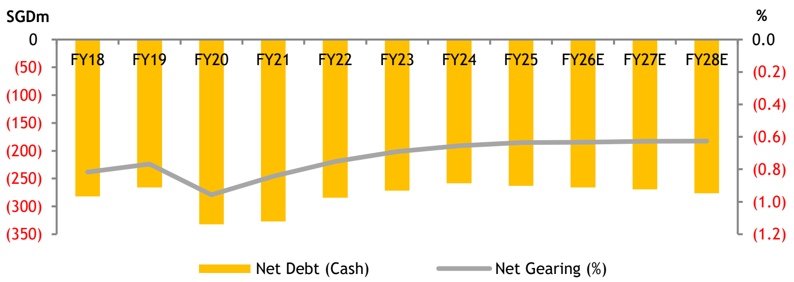
As a result, the blended GP margin fell from 21.6% to 21.0%, as FS continued to exceed PR in relative contribution. In Singapore, employers remained selective about onboarding permanent hires on a large scale, focusing on talent where there was greater certainty of value creation from the outset. The uncertain and challenging macro conditions also translated into more cost-conscious clients and tighter margins. Pandemic-era government schemes supporting the labour market have also run their course, leading to a significant drop in grants.

## 1.2 Balance sheet, capital structure analysis

HRnet's balance sheet is exceptionally strong. It operates an asset-light model with zero borrowings and maintains a net cash position, providing resilience and flexibility. This means it requires minimal fixed assets, resulting in consistently low depreciation and amortization (around SGD7–9m annually), further underscoring its limited capital intensity.

Moreover, the Group carries zero borrowings, avoiding interest obligations and leverage risk. HRnet consistently reports strong cash reserves, giving it flexibility for dividends, acquisitions, or weathering downturns. These are hallmarks of its conservative financial management.

**Fig 11: Consistently in net cash position**

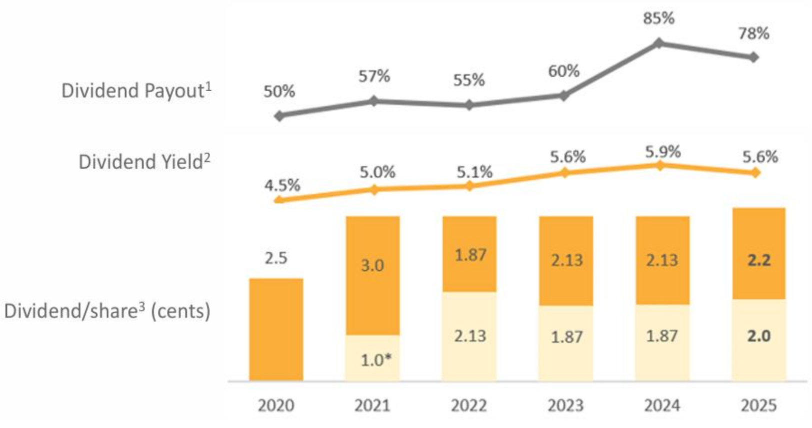



*Source: Company, MIBG Research*

## 1.3 Dividends per share and payout analysis

Together with the interim dividend of 2.0 cents, the Group's total DPS of 4.2 cents represents a high payout ratio of 78%, which offers a decent yield of 5.6%. If we include the SGD1.3m share buyback, a total of SGD41.7m was returned to shareholders, implying a substantial 80.2% of free cash flow.

**Fig 12: Dividend payout and yield**

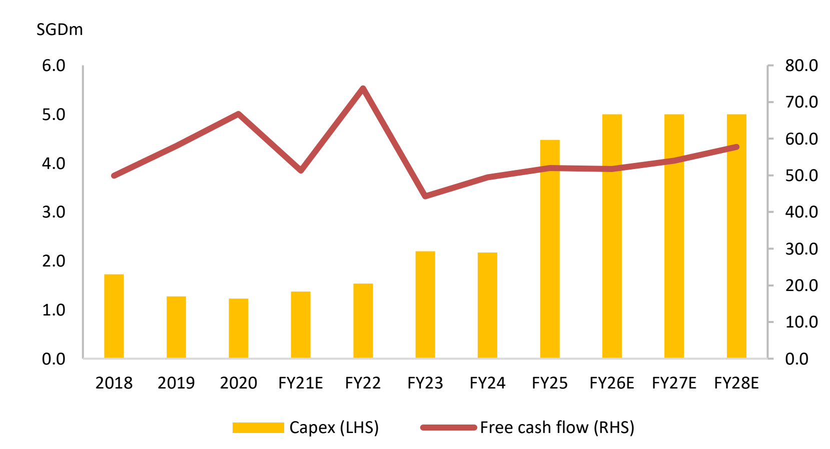



*Source: Company, MIBG Research*

## 1.4 Capex and free cash flow analysis

HRnet's asset-light model has kept capex consistently low, while free cash flow (FCF) has remained strong and positive over the years, reflecting its ability to convert earnings into cash without heavy reinvestment needs. This places the Group in a favourable position, with high liquidity and flexibility to return excess capital to shareholders.

**Fig 13: Capex vs FCF**




*Source: Company, MIBG Research*

# 5. Valuation

We initiate coverage on HRnet with a BUY and 12-month target price of SGD0.87, pegged at 18x FY26E P/E. At current levels, the stock is still trading at an undemanding valuation of about 9x FY26E (ex-cash) P/E. This presents a significant arbitrage opportunity compared to some Japanese and Chinese peers, which trade at multiples of over 20x, suggesting meaningful upside as the market gradually appreciates HRnet's tech-enabled evolution.

HRnet does not have any direct listed comparables in the SGX. A review of various company websites indicates that recruitment agency business models vary significantly. Some specialise in high-level executive placements, while others provide broad-based recruitment services. Certain agencies focus exclusively on flexible staffing, in some cases maintaining headcount inventory, while others concentrate on specific industries.

Key re-rating catalysts will include stronger-than-expected organic growth, an improving business mix leading to better margins, and synergistic M&A opportunities as the Group seeks to further expand its regional presence.

**Fig 14: Peers comparison table**

| | | BBG | MKE | MKE TP | Price | FYE | Mcap | P/E (x) | | | | EV /EBITDA (x) | P/B (x) | ROE (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bloomberg ticker | Company | Code | Rec | (LC) | (LC) | mm/dd | USDm | Act | FY1 | FY2 | FY3 | Act | Act | Act |
| HRNET SP | HRnetGroup | CHZ-SES | BUY | 0.87 | 0.74 | 12/31 | 550 | 16.4 | 16.3 | 15.3 | 14.5 | 6.7 | 1.8 | 12.0% |
| | | | | | | | | | | | | | | |
| | Global HR services firms | | | | | | | | | | | | | |
| 2181 JP | Persol Hldgs | 2181-TKS | NR | - | 236.70 | 03/31 | 3,376 | 14.6 | 12.8 | 11.6 | 10.3 | 6.4 | 2.5 | 18.8% |
| KELYA US | Kelly Services | KELYA | NR | - | 8.81 | 12/28 | 321 | 7.0 | 10.0 | 5.3 | - | 4.0 | 0.3 | -23.0% |
| STEM LN | Sthree | STEM-LON | NR | - | 1.46 | 11/30 | 244 | 10.7 | 26.5 | 10.3 | 6.9 | 3.7 | - | 7.3% |
| 300662 CH | Beijing Career Int'l | 300662-SHE | NR | - | 23.60 | 12/31 | 674 | 22.7 | 15.7 | 14.0 | 11.9 | 12.7 | 2.1 | 14.4% |
| ADEN VX | Adecco | ADEN-SWX | NR | - | 18.92 | 12/31 | 3,989 | 8.7 | 7.7 | 6.7 | 6.2 | 7.2 | 1.0 | 8.5% |
| RAND NA | Randstad Hldgs | RAND-AMS | NR | - | 22.42 | 12/31 | 4,557 | 8.9 | 8.5 | 7.4 | 6.7 | 5.8 | 1.1 | 7.4% |
| MAN US | ManpowerGroup | MAN | NR | - | 28.60 | 12/31 | 1,328 | 9.6 | 7.8 | 5.9 | 5.1 | 6.5 | 0.6 | -0.6% |
| HAS LN | Hays | HAS-LON | NR | - | 0.32 | 06/30 | 680 | 24.5 | 27.7 | 14.3 | 8.7 | 6.0 | 1.1 | -1.5% |
| PAGE LN | PageGroup | PAGE-LON | NR | - | 1.35 | 12/31 | 588 | 46.6 | 18.5 | 10.8 | 7.0 | 6.7 | 1.9 | 3.8% |
| KFY US | Korn/Ferry | KFY | NR | - | 63.35 | 04/30 | 3,287 | 13.0 | 11.9 | 11.0 | 9.9 | 6.3 | 1.6 | 13.5% |
| 2124 JP | JAC Recruitment | 2124-TKS | NR | - | 871.00 | 12/31 | 903 | 16.4 | 14.8 | 12.2 | 10.5 | 9.1 | 6.2 | 41.5% |
| STAF LN | Staffline Group | STAF-LON | NR | - | 0.44 | 12/31 | 70 | 10.0 | 7.9 | 7.3 | 6.6 | 3.5 | 1.3 | 13.8% |
| RWA LN | Robert Walters | RWA-LON | NR | - | 0.87 | 12/31 | 83 | - | - | - | - | 13.0 | 0.6 | -22.4% |
| | **Average** | | | | | | | **16.1** | **14.2** | **9.7** | **8.2** | **7.0** | **1.7** | **5.8%** |

*Source: Bloomberg, Factset*

# 6. Risks

## 1.5 Vulnerable to different economic cycles

During economic downturns, companies typically freeze permanent hiring first, which can significantly impact the PR segment, as it is HRnet's highest-margin business. Even with a strong flexible staffing hedge, a prolonged slowdown in Singapore or North Asia, including Greater China and Taiwan, may result in material earnings shortfalls. Additionally, the Group faces geopolitical risks. With substantial operations in Greater China and a growing presence in Vietnam, it remains exposed to regional tensions and shifting trade dynamics that could disrupt corporate expansion plans.

## 1.6 Low barriers to entry & disintermediation

The recruitment industry is characterised by low capital requirements, resulting in a highly fragmented competitive landscape. HRnet faces competition not only from large global firms such as Recruit Holdings and Hays, but also from numerous boutique agencies that may undercut pricing during periods of weaker demand. In addition, the trend towards in-sourcing presents a growing challenge. Large corporations, particularly in the technology and financial sectors, are increasingly investing in internal talent acquisition capabilities and leveraging AI-driven platforms such as LinkedIn to manage hiring directly. This shift may reduce reliance on external agencies, particularly for mid-level roles.

## 1.7 Disruption by AI and HR-Tech

While HRnet is investing in its proprietary HR technology platform, Octomate, the broader industry faces structural risks from technological disruption. The increasing use of AI-driven tools to screen résumés and predict candidate success has the potential to commoditise the recruitment process, reducing the value proposition added by human consultants. This trend may also place downward pressure on margins. As technology simplifies talent identification, clients may become less willing to pay traditional placement fees, which typically range from 18–25% of annual salary, thereby compressing HRnet's pricing power.

## 1.8 Key man and talent-retention risk

HRnet's co-ownership model is a core strength, but it also introduces distinct risks. The business depends heavily on the entrepreneurial drive of its subsidiary leaders. If a significant number of these co-owners were to retire or depart within a short period, particularly as the founding generation ages, the Group's localised, high-performance culture could weaken. In addition, talent retention remains a critical concern. Top-performing recruitment consultants are highly mobile, and the departure of a leading team of high billers to a competitor could result in an immediate loss of client relationships and revenue.

## 1.9 Execution risk in M&A

With cash holdings of about SGD336m, management has indicated an interest in pursuing growth through accretive M&A. However, acquiring boutique firms in new markets, such as the recent expansion into Vietnam, presents integration risks, particularly where cultural alignment is weak or the acquired value is heavily dependent on a small number of key individuals. Conversely, if suitable acquisition targets are not identified, HRnet's substantial cash reserves may generate only modest returns when deployed in low-yield instruments such as treasury bills or bank deposits, potentially leading to a dilution of ROE.

# 7. Key Management

### Peter Sim – Executive Director & Founding Chairman

Peter Sim is the Group's Founding Chairman. He founded the HRnet in 1992 and has more than 40 years of expertise in social work, human resource management, and talent acquisition. With an acumen for people, he has an uncanny knack for assessing candidate suitability. He has held various HR roles at organisations including McDermott, South East Asia, the Monetary Authority of Singapore, Singapore Aerospace Manufacturing, and Thomson Consumer Electronics. His last role before founding the HRnet was as Regional Human Resource Director for Honeywell Southeast Asia. He graduated with a Bachelor of Arts from the University of Singapore in 1976 and is also an Associate of the Institute of Chartered Secretaries and Administrators (UK).

### JS Sim - Executive Director and CEO of Recruit Express

JS leads more than 300 people across Singapore, Taipei, Hong Kong, and Kuala Lumpur. Every single candidate who aspires to join the Recruit Express Group has to be personally interviewed by him. Thereafter, JS conducts the sales training for each cohort, and tracks their progress in the monthly missive he sends to his leaders. JS started his career in 1982 with Aurora Products, where he served as Head of Personnel before joining General Electric Intersil in 1983. Prior to joining Recruit Express, he was the Regional Human Resource Director of Motorola Electronics. He graduated with a Bachelor of Science from the National University of Singapore in 1982 and received a Graduate Diploma in Personnel Management from the Singapore Institute of Management in 1984.

### Adeline Sim - Executive Director and Chief Corporate Officer

Adeline leads strategic and tactical initiatives and is a member of the Investment Committee, responsible for identifying and executing investments and acquisitions. She also oversees the Group's technology, digital marketing, investor relations, and communication functions. She provides counsel and guidance on legal matters across the 41 business units in 18 Asian cities. She began her career as a lawyer with Drew & Napier in 2004, where she focused on dispute resolution, and subsequently on capital markets work. She left the firm in 2008 to join the Group. She graduated with a Bachelor of Laws from the National University of Singapore in 2003, was admitted to the Singapore Bar in 2004, and is a Solicitor of the Supreme Court of England and Wales. She is also a Director of the Singapore Institute of Management Society, and a member of the Finance Committee of Saint Joseph's Institution International.

### Jennifer Kang – Executive Director & Group CFO

Jennifer began her career in 1989 as an auditor with PricewaterhouseCoopers, before joining AT&T Singapore. She was involved in the financial control and IPO of an SGX-listed company. She also performed M&A work with BIL International Ltd, and corporate planning with Abacus International. The experience she garnered proved invaluable when she started at HRnet in 2003 as Regional Finance Director. She went on to lead one of the Group's professional recruitment businesses in Malaysia in 2007 before co-pioneering HRnetOne Beijing in 2008. Jennifer took on the role of CFO of HRnet in 2012. She became Group CFO in 2022 and was appointed Executive Director in 2023. She was appointed Director and Legal Representative of AllwaysFirst Vietnam in early 2026. Jennifer graduated with a Bachelor of Accountancy from the National University of Singapore in 1989. She also received a Master of Business Administration in Information Technology from RMIT University in Australia in 1998.

| FYE 31 Dec | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Key Metrics** | | | | | |
| P/E (reported) (x) | 15.4 | 13.6 | 15.6 | 14.8 | 14.1 |
| Core P/E (x) | 15.0 | 16.1 | 15.6 | 14.8 | 14.1 |
| P/BV (x) | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| P/NTA (x) | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Net dividend yield (%) | 5.9 | 5.6 | 5.7 | 5.8 | 6.0 |
| FCF yield (%) | 7.6 | 8.3 | 7.5 | 7.7 | 8.2 |
| EV/EBITDA (x) | 6.3 | 6.7 | 7.1 | 6.8 | 6.4 |
| EV/EBIT (x) | 7.5 | 7.8 | 8.3 | 7.8 | 7.4 |
| | | | | | |
| **INCOME STATEMENT (SGD m)** | | | | | |
| Revenue | 567.0 | 584.0 | 604.0 | 626.2 | 643.4 |
| EBITDA | 68.0 | 73.3 | 69.8 | 73.0 | 76.1 |
| Depreciation | (1.0) | (1.1) | (1.0) | (1.0) | (1.0) |
| Amortisation | (6.8) | (5.8) | (5.8) | (5.9) | (6.0) |
| EBIT | 56.6 | 63.3 | 59.8 | 63.0 | 66.1 |
| Net interest income /(exp) | (0.6) | (0.8) | (0.8) | (0.8) | (0.7) |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptionals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other pretax income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax profit | 56.0 | 62.5 | 59.0 | 62.2 | 65.4 |
| Income tax | (9.7) | (9.6) | (9.4) | (10.0) | (10.5) |
| Minorities | (1.8) | (1.7) | (1.7) | (1.8) | (1.9) |
| Discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported net profit | 44.5 | 51.2 | 47.8 | 50.5 | 53.0 |
| Core net profit | 44.5 | 46.0 | 47.8 | 50.5 | 53.0 |
| | | | | | |
| **BALANCE SHEET (SGD m)** | | | | | |
| Cash & Short Term Investments | 258.4 | 262.9 | 266.3 | 269.5 | 275.3 |
| Accounts receivable | 100.6 | 100.1 | 99.6 | 99.9 | 99.3 |
| Inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reinsurance assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Property, Plant & Equip (net) | 2.8 | 5.7 | 7.0 | 8.0 | 9.0 |
| Intangible assets | 20.9 | 21.6 | 23.1 | 24.3 | 25.5 |
| Investment in Associates & JVs | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other assets | 96.7 | 113.5 | 116.7 | 121.2 | 125.7 |
| **Total assets** | **482.3** | **503.8** | **512.7** | **522.9** | **534.7** |
| ST interest bearing debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts payable | 65.0 | 66.4 | 67.2 | 68.1 | 69.0 |
| Insurance contract liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LT interest bearing debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities | 23.0 | 23.0 | 24.0 | 25.0 | 25.0 |
| **Total Liabilities** | **88.1** | **89.7** | **91.6** | **93.1** | **94.5** |
| Shareholders Equity | 378.8 | 402.1 | 407.4 | 414.3 | 422.8 |
| Minority Interest | 15.3 | 12.0 | 13.7 | 15.5 | 17.4 |
| **Total shareholder equity** | **394.2** | **414.1** | **421.1** | **429.8** | **440.3** |
| **Total liabilities and equity** | **482.3** | **503.8** | **512.7** | **522.9** | **534.7** |
| | | | | | |
| **CASH FLOW (SGD m)** | | | | | |
| Pretax profit | 56.0 | 62.5 | 59.0 | 62.2 | 65.4 |
| Depreciation & amortisation | 11.4 | 10.0 | 10.0 | 10.0 | 10.0 |
| Adj net interest (income)/exp | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in working capital | (3.0) | 3.7 | 1.3 | 0.6 | 1.5 |
| Cash taxes paid | (11.5) | (10.5) | (9.4) | (10.0) | (10.5) |
| Other operating cash flow | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations | 52.9 | 65.7 | 60.8 | 62.9 | 66.5 |
| Capex | (2.2) | (4.5) | (5.0) | (5.0) | (5.0) |
| Free cash flow | 50.8 | 61.2 | 55.8 | 57.9 | 61.5 |
| Dividends paid | (41.0) | (42.0) | (42.5) | (43.5) | (44.5) |
| Equity raised / (purchased) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other invest/financing cash flow | (11.5) | (3.7) | 0.0 | 0.0 | 0.0 |
| Effect of exch rate changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net cash flow | (1.7) | 15.6 | 13.3 | 14.4 | 17.0 |

| FYE 31 Dec | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Key Ratios** | | | | | |
| **Growth ratios (%)** | | | | | |
| Revenue growth | (2.0) | 3.0 | 3.4 | 3.7 | 2.7 |
| EBITDA growth | (13.0) | 7.8 | (4.8) | 4.6 | 4.3 |
| EBIT growth | (16.0) | 11.8 | (5.6) | 5.4 | 4.9 |
| Pretax growth | (16.3) | 11.6 | (5.7) | 5.6 | 5.1 |
| Reported net profit growth | (15.2) | 15.0 | (6.6) | 5.6 | 5.1 |
| Core net profit growth | 6.7 | 3.4 | 3.9 | 5.6 | 5.1 |
| | | | | | |
| **Profitability ratios (%)** | | | | | |
| EBITDA margin | 12.0 | 12.6 | 11.6 | 11.7 | 11.8 |
| EBIT margin | 10.0 | 10.8 | 9.9 | 10.1 | 10.3 |
| Pretax profit margin | 9.9 | 10.7 | 9.8 | 9.9 | 10.2 |
| Payout ratio | 88.4 | 81.2 | 89.0 | 86.3 | 84.0 |
| | | | | | |
| **DuPont analysis** | | | | | |
| Net profit margin (%) | 7.9 | 8.8 | 7.9 | 8.1 | 8.2 |
| Revenue/Assets (x) | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Assets/Equity (x) | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| ROAE (%) | 11.8 | 13.1 | 11.8 | 12.3 | 12.7 |
| ROAA (%) | 9.3 | 9.3 | 9.4 | 9.7 | 10.0 |
| | | | | | |
| **Liquidity & Efficiency** | | | | | |
| Cash conversion cycle | nm | nm | nm | nm | nm |
| Days receivable outstanding | 64.1 | 61.8 | 59.5 | 57.4 | 55.7 |
| Days inventory outstanding | nm | nm | nm | nm | nm |
| Days payables outstanding | 53.1 | 51.3 | 50.5 | 49.5 | 49.1 |
| Dividend cover (x) | 1.1 | 1.2 | 1.1 | 1.2 | 1.2 |
| Current ratio (x) | 5.5 | 5.6 | 5.5 | 5.5 | 5.5 |
| | | | | | |
| **Leverage & Expense Analysis** | | | | | |
| Asset/Liability (x) | 5.5 | 5.6 | 5.6 | 5.6 | 5.7 |
| Net gearing (%) (incl perps) | net cash | net cash | net cash | net cash | net cash |
| Net gearing (%) (excl. perps) | net cash | net cash | net cash | net cash | net cash |
| Net interest cover (x) | 90.9 | 79.2 | 74.7 | 84.0 | 94.4 |
| Debt/EBITDA (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capex/revenue (%) | 0.4 | 0.8 | 0.8 | 0.8 | 0.8 |
| Net debt/ (net cash) | (258.4) | (262.9) | (266.3) | (269.5) | (275.3) |

*Source: Company; Maybank IBG Research*

# Research Offices


## ECONOMICS

**Suhaimi ILIAS**
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

**CHUA Hak Bin**
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

**Erica TAY**
China | Thailand
(65) 6231 5844
erica.tay@maybank.com

**Brian LEE Shun Rong**
Indonesia | Singapore | Vietnam
(65) 6231 5846
brian.lee1@maybank.com

**Azril ROSLI**
**Malaysia | Philippines | Global**
(603) 2082 6818
azril.rosli@maybank-ib.com

**Luong Thu Huong**
(65) 6231 8467
hana.thuhuong@maybank.com

## FX

**Saktiandi SUPAAT**
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com

**Fiona LIM**
(65) 6320 1374
fionalim@maybank.com

**Alan LAU, CFA**
(65) 6320 1378
alanlau@maybank.com

**Shaun LIM**
(65) 6320 1371
shaunlim@maybank.com

## STRATEGY

**Anand PATHMAKANTHAN**
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

## FIXED INCOME

**Winson PHOON, FCA**
Head of Fixed Income
(65) 6231 5831
winsonphoon@maybank.com

**Erine YU**
(603) 2074 7606
erine.yu@maybank.com

**SE THO Mun Yi, CFA**
(603) 2070 8833 ext 2664
munyi.st@maybank-ib.com

## PORTFOLIO STRATEGY

**ONG Seng Yeow**
(65) 6231 5839
ongsengyeow@maybank.com

**Sean LIM**
(603) 2297 8888
lim.tzekhang@maybank.com

## MIBG SUSTAINABILITY RESEARCH

**Jigar SHAH**
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

**Neerav DALAL**
(91) 22 4223 2606
neerav@maybank.com

## REGIONAL EQUITIES

**Anand PATHMAKANTHAN**
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

**WONG Chew Hann, CA**
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

## MALAYSIA

**LIM Sue Lin,** *Head of Research*
(603) 2297 8612
suelin.lim@maybank-ib.com
• Equity Strategy

**Desmond CH'NG, BFP, FCA**
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance • Insurance

**ONG Chee Ting, CA**
(603) 2297 8678
ct.ong@maybank-ib.com
• Plantations - Regional

**YIN Shao Yang, CPA**
(603) 2297 8916
samuel.y@maybank-ib.com
• Gaming – Regional • Construction
• Aviation • Non-Bank Financials

**TAN Chi Wei, CFA**
(603) 2297 8690
chiwei.t@maybank-ib.com
• Utilities • Telcos

**WONG Wei Sum, CFA**
(603) 2297 8679
weisum@maybank-ib.com
• Property • Glove

**Jade TAM**
(603) 2297 8687
jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

**Nur Farah SYIFAA**
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• REITs

**LOH Yan Jin**
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Automotive

**Jeremie YAP**
(603) 2297 8688
jeremie.yap@maybank-ib.com
• Oil & Gas • Petrochemicals

**Nur Natasha ARIZA**
(603) 2297 8691
natashaariza.aizarizal@maybank-ib.com
• Healthcare • Media

**Lucas SIM**
(603) 2082 6824
lucas.sim@maybank-ib.com
• Technology (EMS)

**THONG Kei Jun**
(603) 2297 8677
keijun.thong@maybank-ib.com
• Renewable Energy

**Justin YEOH**
(603) 2082 8676
justin.yeoh@maybank-ib.com
• Technology (Software)

**TEE Sze Chiah** *Head of Retail Research*
(603) 2082 6858
szechiah.t@maybank-ib.com
• Retail Research

**Amirah AZMI**
(603) 2082 8769
amirah.azmi@maybank-ib.com
• Retail Research

**Aseela ZAHARI**
(603) 2082 8767
aseela.za@maybank-ib.com
• Retail Research

**Amirul RUSYDY, CMT**
(603) 2297 8694
rusydy.azizi@maybank.com
• Chartist

## SINGAPORE

**Thilan WICKRAMASINGHE** *Head of Research*
(65) 6231 5840
thilanw@maybank.com
• Strategy • Consumer
• Banking & Finance - Regional

**Eric ONG**
(65) 6231 5849
ericong@maybank.com
• Healthcare • Transport • SMIDs

**Jarick SEET**
(65) 6231 5848
jarick.seet@maybank.com
• Technology • SMIDs

**Krishna GUHA**
(65) 6231 5842
krishna.guha@maybank.com
• REITs • Industrials

**Hussaini SAIFEE**
(65) 6231 5837
hussaini.saifee@maybank.com
• Telcos • Internet • Consumer

**TOH Xuan Hao**
(65) 6231 5820
xuanhao.toh@maybank.com
• Financials • SMIDs

**LIU Miaomiao**
(65) 6231 5845
miaomiao.liu@maybank.com
• REITs

## PHILIPPINES

**Kervin Laurence SISAYAN** *Head of Research*
(63) 2 5322 5005
kervin.sisayan@maybank.com
• Strategy • Banking & Finance • Telcos

**Daphne SZE**
(63) 2 5322 5008
daphne.sze@maybank.com
• Consumer

**Raffy MENDOZA**
(63) 2 5322 5010
joserafael.mendoza@maybank.com
• Property • REITs • Gaming

**Germaine GUINTO**
(63) 2 5322 5006
germaine.guinto@maybank.com
• Utilities

**Ronalyn Joyce LALIMO**
(63) 2 5322 5009
rona.lalimo@maybank.com
• Industrials • Tourism

## VIETNAM

**Quan Trong Thanh** *Head of Research*
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

**Hoang Huy, CFA**
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

**Le Nguyen Nhat Chuyen**
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

**Nguyen Thi Sony Tra Mi**
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

**Tran Thi Thanh Nhan**
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

**Nguyen Le Tuan Loi**
(84 28) 44 555 888 ext 8182
loi.nguyen@maybank.com
• Property

**Nguyen Thanh Hai**
(84 28) 44 555 888 ext 8081
thanhhai.nguyen@maybank.com
• Industrials

**Vu Viet Linh**
(84 28) 44 555 888 ext 8201
vietlinh.vu@maybank.com
• Strategy

**Nguyen Thanh Lam**
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Retail Research

## INDONESIA

**Jeffrosenberg CHENLIM** *Head of Research*
(62) 21 8066 8680
jeffrosenberg.lim@maybank.com
• Strategy • Banking & Finance • Property

**Willy GOUTAMA**
(62) 21 8066 8688
willy.goutama@maybank.com
• Consumer

**Etta Rusdiana PUTRA**
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos • Internet • Construction

**Paulina MARGARETA**
(62) 21 8066 8690
paulina.tjoa@maybank.com
• Autos • Healthcare

**Hasan BARAKWAN**
(62) 21 8066 2694
hasan.barakwan@maybank.com
• Metals & Mining • Oil & Gas

**Faiq ASAD**
(62) 21 8066 8692
faiq.asad@maybank.com
• Banking & Finance

**Kevin HALIM**
(62) 21 8066 2687
kevin.halim@maybank.com
• Property • Cement

**Satriawan HARYONO, CEWA, CTA**
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

## THAILAND

**Chak REUNGSINPINYA** *Head of Research*
(66) 2658 5000 ext 1399
chak.reungsinpinya@maybank.com
• Strategy • Energy

**Jesada TECHAHUSDIN, CFA**
(66) 2658 5000 ext 1395
jesada.t@maybank.com
• Banking & Finance

**Wasu MATTANAPOTCHANART**
(66) 2658 5000 ext 1392
wasu.m@maybank.com
• Telcos • Technology (Software) • REITs
• Property • Consumer Discretionary

**Suttatip PEERASUB**
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Consumer Staples & Discretionary

**Natchaphon RODJANAROWAN**
(66) 2658 5000 ext 1393
natchaphon.rodjanarowan@maybank.com
• Utilities • Property

**Boonyakorn AMORNSANK**
(66) 2658 5000 ext 1394
boonyakorn.amornsank@maybank.com
• Services (Hotels, Transport)

**Nontapat SAHAKITPINYO**
(66) 2658 5000 ext 2352
nontapat.sahakitpinyo@maybank.com
• Healthcare • Construction • Insurance
• Industrial Estate

**Yugi TAKESHIMA**
(66) 2658 5000 ext 1530
yugi.takeshima@maybank.com
• Technology (EMS & Semicon) • Automotive
• Industrials

**Tanida JIRAPORNKASEMSUK**
(66) 2658 5000 ext 1396
tanida.jirapornkasemsuk@maybank.com
• Food & Beverage

**Aomsub NGOWSIRI**
(66) 2658 5000 ext 2518
aomsub.ngowsiri@maybank.com
• Industrials

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## Malaysia

**Maybank Investment Bank Berhad**
(A Participating Organisation of Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

## Singapore

**Maybank Securities Pte Ltd**
**Maybank Research Pte Ltd**
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

## London

**Maybank Securities (London) Ltd**
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

## Hong Kong

**MIB Securities (Hong Kong) Limited**
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

## Indonesia

**PT Maybank Sekuritas Indonesia**
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

## India

**MIB Securities India Pte Ltd**
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

## Philippines

**Maybank Securities Inc**
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

## Thailand

**Maybank Securities (Thailand) PCL**
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

## Vietnam

**Maybank Securities Limited**
Floor 10, Pearl 5 Tower,
5 Le Quy Don Street,
Vo Thi Sau Ward, District 3
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888
Fax : (84) 28 38 271 030

## Sales Trading

### Indonesia
Helen Widjaja
helen.widjaja@maybank.com
Tel: (62) 21 2557 1188

### Philippines
Keith Roy
keith_roy@maybank.com
Tel: (63) 2 5322 3184

### London
Greg Smith
gsmith@maybank.com
Tel: (44) 207 332 0221

### India
Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91) 22 6623 2629

www.maybank.com/investment-banking
www.maybank-keresearch.com