

Equities



UNITED STATES

JOBS US Neutral

Price (at 04:22, 23 Feb 2017 GMT) US\$35.85

Valuation US\$ 34.00

- PER

12-month target US\$ 34.00

12-month TSR % -5.2

GICS sector

Commercial & Professional Services

Market cap US\$m 2,233

30-day avg turnover US\$m 1.9

Number shares on issue m 62.30

Investment fundamentals

Year end 31 Dec	2016A	2017E	2018E	2019E
Revenue	m 2,372.7	2,771.8	3,125.1	3,406.0
EBIT	m 697.9	870.3	1,020.2	1,127.4
Reported profit	m 566.0	779.6	911.9	1,011.8
Adjusted profit	m 721.2	871.8	1,007.1	1,105.4
Gross cashflow	m 804.9	965.0	1,090.8	1,202.3
CFPS	Rmb 13.47	15.90	17.84	19.54
CFPS growth	% 7.4	18.1	12.2	9.5
PGCFPS	x 18.3	15.5	13.8	12.6
EPS adj	Rmb 12.13	14.42	16.52	18.01
EPS adj growth	% 4.1	19.0	14.5	9.1
PER adj	x 20.3	17.1	14.9	13.7
Total DPS	Rmb 0.00	0.00	0.00	0.00
Total div yield	% 0.0	0.0	0.0	0.0
ROA	% 10.8	10.0	8.9	7.8
ROE	% 15.9	16.1	15.9	14.9
EV/EBITDA	x 17.4	14.2	12.4	11.2
Net debt/equity	% -38.6	-43.5	-48.5	-52.0
P/BV	x 3.1	2.7	2.3	2.0

JOBS US vs S&P 500, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, February 2017
(all figures in Rmb unless noted, TP in USD)

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23 February 2017

Macquarie Capital Limited

51job

Better sales efficiency and job market

Event

- 4Q16 revenue was in line while earnings beat MQ by 13% due to prudent S&M spending and one-off items. Online recruitment saw solid 15% YoY revenue growth as customer growth accelerated to 17% YoY, partly offset by 2% YoY lower ARPU. The company expects solid customer growth to continue and guides 1Q17 revenue to grow 16% YoY, 2pts above MQ estimate. Earnings guidance is in line with MQ. We raise TP from US\$32 to US\$34 based on 16x 2017E PE vs 15x previously, to reflect faster growth in the core business. We maintain Neutral as the current share price has largely factored in the growth outlook.

Impact

- 4Q16 earnings and 1Q17 revenue guidance beat.** 4Q16 gross revenue grew 17% QoQ and 14% YoY to RMB694mn, in line with MQ, and at the high end of the guidance of RMB680-700mn. Non-GAAP OPM was 33.5% in 4Q16 vs 34.7% a year ago. Non-GAAP net income grew 27% QoQ and 8% YoY to RMB218mn, 13% above MQ, due to prudent S&M expense, one-off fair value gain in CB and government subsidy. 1Q17 revenue is guided to be RMB595-615mn with the mid-point above MQ of RMB595mn. 1Q17 non-GAAP EPS is guided to be RMB 2.55-2.75 vs MQ of RMB2.77.
- Online customer YoY growth accelerated.** Online recruitment gross revenue grew healthily at 15% YoY to RMB424mn in 4Q16, vs 16.5% YoY growth in 3Q16. Customer growth accelerated from 13% YoY in 3Q16 to 17% YoY in 4Q16 owing to improved productivity of sales force and a stronger than expected job market. ARPU declined because of new customer growth that outpaced increased spending of existing customers as well as higher ARPU from the Yingjiesheng.com acquisition a year ago. The company remains positive on the job market outlook and has continued to expand sales force in 2017. We expect 16% YoY online recruitment revenue growth in 2017.
- Speed up investment to enrich offerings.** The company recently completed 3 transactions for a total of RMB249mn funded by its cash balance. Small as the investee companies may seem, they enrich 51job's product offerings into training of financial accounting, matching of short-term job opportunities, and contact management. The total deal size fell short of the RMB450mn target as discussed in mid-2016 because some of the transactions were still in negotiation. The company continues to actively pursue M&A opportunities.

Earnings and target price revision

- We raise our 2017/18 profit forecast by 5% and TP from US\$32 to US\$34.

Price catalyst

- 12-month price target: US\$34.00 based on a PER methodology.
- Catalyst: M&A opportunities, new product growth

Action and recommendation

- Maintain Neutral.

Fig 1 4Q16 results review

Rmb mn	4Q15	3Q16	4Q16	4Q16MQ estimate	Var	QoQ	YoY	4Q16 consensus	vs. Consensus	4Q16 Guidance
Gross revenue	611	595	694	698	-1%	17%	14%	681	1.9%	680-700
Net revenue	598	589	687	691	-1%	17%	15%			
Cost of sales	-170	-168	-200	-192	4%	19%	18%			
Gross profit	428	421	487	499	-3%	15%	14%			
Gross margin (%)	71.6%	71.5%	70.8%	72%	0.0 ppts	-0.7 ppts	-0.8 ppts	72%	-1.6%	
S&M expense	169	202	200	204	-2%	-1%	18%			
G&A expense	55	55	60	57	5%	9%	9%			
Operating income	187	147	210	219	-4%	43%	12%	173	21.2%	
Operating margin (%)	31.3%	24.9%	30.5%	32%	0.0 ppts	5.6 ppts	-0.7 ppts			
Net income (gaap)	142	108	203	172	19%	88%	43%			
Net income (Non-gaap)	202	172	218	194	13%	27%	8%	169	28.9%	
Diluted EPADS (Rmb) (GAAP)	2.29	1.72	3.23	2.74	18%	87%	41%			
Diluted EPADS (Rmb) (Non-gaap)	3.40	2.89	3.61	3.24	12%	25%	6%	2.85	26.8%	3.05-3.25
Key metrics										
Number of unique recruiters ('000)	287	334	337	333	1.1%	4%	17%			
Revenue per recruiter (Rmb)	1,282	1,192	1,257	1,295	-2.9%	3%	-2%			

Source: Bloomberg, Macquarie Research, February 2017

Fig 2 Estimates revision

New Estimates			
Rmb mn	1Q17E	2017E	2018E
Gross revenue	614	2,772	3,125
Online recruitment	416	1,799	1,977
Other human resources services	198	973	1,148
Net revenue	608	2,743	3,109
Non-GAAP operating income	178	870	1,020
Non-GAAP net income	164	872	1,007
Non-GAAP EPADS (Rmb)	2.76	14.43	16.52
Old Estimates			
Rmb mn	1Q17E	2017E	2018E
Gross revenue	595	2,705	3,038
Online recruitment	399	1,746	1,906
Other human resources services	196	959	1,132
Net revenue	589	2,679	3,023
Non-GAAP operating income	180	857	989
Non-GAAP net income	164	833	962
Non-GAAP EPADS (Rmb)	2.77	13.85	15.86
Estimates revisions			
	1Q17E	2017E	2018E
Gross revenue	3%	2%	3%
Online recruitment	4%	3%	4%
Other human resources services	1%	1%	1%
Net revenue	3%	2%	3%
Non-GAAP operating income	-1%	2%	3%
Non-GAAP net income	0%	5%	5%
Non-GAAP EPADS (Rmb)	0%	4%	4%

Source: Macquarie Research, February 2017

Fig 3 Key assumptions

Rmb mn	2014	2015	2016	2017E	2018E	2019E
Gross revenue	1,897	2,102	2,373	2,772	3,125	3,406
Online recruitment services	1,248	1,356	1,547	1,799	1,977	2,097
Print advertising	14	5	-	-	-	-
Other human resources	635	740	826	973	1,148	1,309
% of total revenue						
Online recruitment services	66%	65%	65%	65%	63%	62%
Print advertising	1%	0%	0%	0%	0%	0%
Other human resources	33%	35%	35%	35%	37%	38%
YoY % growth						
Gross revenue growth	13%	11%	13%	17%	13%	9%
Online recruitment services	15%	9%	14%	16%	10%	6%
Print advertising	-72%	na	na	na	na	na
Other human resources	17%	17%	12%	18%	18%	14%
Key metrics						
Number of unique recruiters ('000)	388	407	450	513	554	577
Revenue per recruiter (Rmb)	3,215	3,334	3,435	3,504	3,566	3,637

Source: Company data, Macquarie Research, February 2017

Fig 4 Ratio summary

YE 31 December		2014	2015	2016	2017E	2018E	2019E	16-17E	17E-18E	18E-21E
Per share										
EPADS, non-GAAP diluted	(USD)	1.69	1.80	1.75	2.10	2.40	2.62	20%	15%	7%
DPADS, diluted	(USD)	0.00	0.00	0.00	0.00	0.00	0.00	--	--	--
BVADS, diluted	(USD)	9.00	10.19	11.44	13.45	15.72	18.20	18%	17%	14%
Net cash per ADR	(USD)	8.68	9.38	13.88	15.80	18.05	20.50	14%	14%	13%
Value										
EV/Revenue	X	4.6x	4.3x	4.1x	3.4x	3.0x	2.8x	--	--	--
EV/EBITDA	X	14.9x	14.3x	13.7x	10.8x	9.3x	8.4x	--	--	--
EV/FCF	X	17.1x	15.9x	4.7x	14.3x	11.5x	10.3x	--	--	--
Price/ Sales	X	7.6x	7.1x	6.7x	5.6x	5.0x	4.5x	--	--	--
Price/ Book	X	4.0x	3.5x	3.1x	2.7x	2.3x	2.0x	--	--	--
Non-GAAP P/E (diluted)	X	21.2x	20.0x	20.5x	17.1x	14.9 x	13.7 x	--	--	--
P/E (diluted, non-GAAP)	X	16.1x	14.7x	12.6x	9.6x	7.4x	5.9x	--	--	--
ex-cash										
Profit & loss										
Net revenue	(USD mn)	296	317	337	399	452	493	18%	13%	7%
EBITDA	(USD mn)	92	96	100	127	147	164	26%	16%	8%
EBIT	(USD mn)	85	88	88	113	134	150	28%	19%	9%
Non-GAAP Net Income	(USD mn)	103	107	104	127	146	161	22%	16%	8%
Profitability										
EBITDA margin	%	31%	30%	30%	32%	33%	33%	202 bps	85 bps	140 bps
Operating margin	%	29%	28%	26%	28%	30%	31%	220 bps	138 bps	152 bps
Non-GAAP Net margin	%	35%	34%	31%	32%	32%	33%	94 bps	61 bps	114 bps
Cash Flow										
Operating Cash Flow	(USD mn)	122	133	323	152	176	193	-53%	15%	9%
Free Cash Flow	(USD mn)	81	86	290	96	119	133	-67%	24%	11%
+EBIT*(1-t)	(USD mn)	69	74	74	95	114	127	29%	19%	9%
+D&A	(USD mn)	8	9	12	14	13	13	12%	-4%	5%
+Capex & Investments	(USD mn)	-6	-14	-18	-25	-24	-26	41%	-5%	7%
+Change in NWC	(USD mn)	10	18	221	12	17	19	-94%	37%	22%
Yield										
Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0 bps	0 bps	0 bps
FCF yield	%	3.6%	3.8%	12.9%	4.2%	5.3%	5.9%	(868 bps)	101 bps	175 bps
Earnings yield	%	3.4%	4.6%	3.9%	5.4%	6.3%	6.9%	147 bps	89 bps	138 bps
Balance sheet										
Net debt (cash)	(USD mn)	-545	-586	-868	-997	-1,142	-1,302	15%	15%	13%
Shareholders' equity	(USD mn)	564	637	715	849	995	1,156	19%	17%	15%
Efficiency										
ROE (average)	%	13%	16%	12%	14%	14.4%	13.7%	198 bps	(5 bps)	(281 bps)
ROA (average)	%	9%	10%	8%	9%	10%	9%	142 bps	24 bps	(147 bps)
ROIC (average)	%	13%	11%	12%	14%	14%	14%	237 bps	21 bps	(236 bps)

Source: Company data, Macquarie Research, February 2017

Fig 5 Financial statements

Year Ending Dec 31	2014	2015	2016	2017E	2018E	2019E	16-17E	17E-18E	18E-21E
Consolidated income statement (RMB mn)									
Net revenue	1,832	2,055	2,338	2,743	3,109	3,389	17%	13%	7%
COGS (Non-GAAP)	-483	-556	-649	-763	-868	-950	18%	14%	6%
Gross profit (Non-GAAP)	1,349	1,499	1,689	1,980	2,241	2,439	17%	13%	7%
GP margin	73.6%	72.9%	72.2%	72.2%	72.1%	72.0%	(6 bps)	(11 bps)	49 bps
Operating costs (Non-GAAP)	-744	-845	-992	-1,110	-1,221	-1,311	12%	10%	5%
Operating profit (Non-GAAP)	605	654	698	870	1,020	1,127	25%	17%	9%
OP margin	33.0%	31.8%	29.8%	31.7%	32.8%	33.3%	188 bps	108 bps	206 bps
EBIT (GAAP)	524	568	612	778	925	1,034	27%	19%	9%
Pre-tax income (Non-GAAP)	633	830	855	1,032	1,191	1,308	21%	15%	8%
Income taxes (Credit) (Non-GAAP)	-113	-126	-135	-161	-185	-203	19%	15%	8%
Non-GAAP net income	638	693	721	872	1,007	1,105	21%	16%	8%
Net income	439	618	566	780	912	1,012	38%	17%	7%
EBITDA (GAAP)	572	624	696	871	1,014	1,125	25%	16%	8%
EBITDA margin	31%	30%	30%	32%	33%	33%	202 bps	85 bps	140 bps
Consolidated balance sheet (RMB mn)									
Current assets	5,046	5,560	6,720	7,680	8,815	10,029	14%	15%	14%
Cash and cash equivalents	1,074	1,125	1,921	2,545	3,325	4,143	32%	31%	23%
Receivables	75	98	111	134	144	159	21%	7%	7%
Prepayment and other current asset	428	497	528	633	760	912	20%	20%	20%
Short-term investment	3,421	3,826	4,159	4,367	4,586	4,815	5%	5%	5%
Other current assets	48	15	0	0	0	0	10%	5%	5%
Non-current assets	536	862	1,016	1,137	1,259	1,397	12%	11%	11%
PP&E	520	559	527	634	725	821	20%	14%	12%
Intangible assets (net)	8	56	74	45	30	22	-38%	-33%	-18%
Other non-current assets	9	246	416	458	504	554	10%	10%	10%
Total assets	5,582	6,422	7,736	8,818	10,074	11,426	14%	14%	13%
Current liabilities	964	1,136	2,703	2,915	3,167	3,466	8%	9%	10%
Accounts payable	23	24	33	38	42	46	17%	11%	5%
AP days	17	17	17	17	17	17	0%	0%	0%
Advances from customers	489	564	655	819	1,024	1,280	25%	25%	25%
Salary and employee related accruals	69	84	104	121	138	150	17%	13%	7%
Other payables and accruals	273	350	498	523	549	577	5%	5%	5%
Others	110	114	1,413	1,413	1,413	1,413	0%	0%	0%
LT liabilities (mainly CB issued in 2Q14)	1,124	1,152	57	55	53	0	-4%	-4%	-100%
Total liabilities	2,088	2,288	2,760	2,970	3,219	3,466	8%	8%	10%
Shareholders' equity	3,494	4,125	4,967	5,839	6,846	7,952	18%	17%	15%
Other comprehensive income	2	2	32	32	32	32	0%	0%	0%
Retained earnings	2,441	3,057	3,622	4,494	5,501	6,607	24%	22%	18%
Noncontrolling interests		9	8	8	8	8			
Total Sh. equity + liabilities	5,582	6,422	7,736	8,818	10,074	11,426	14%	14%	13%
Consolidated cash flow (RMB mn)									
Operating cash flow	756	864	2,241	1,049	1,211	1,329	-53%	15%	9%
Net income	638	693	721	872	1,007	1,105			
Depreciation & amortization	48	56	84	93	89	91			
Change in net working capital	60	114	1,537	84	115	132			
Other	9	2	-101	0	0	0			
Investing cash flow	-1,378	-744	-627	-422	-429	-459	-33%	2%	6%
Capex	-33	-86	-117	-165	-155	-169			
Purchase of intangible assets	-7	-6	-7	-8	-9	-10			
Purchase of short-term investment	-1,339	-405	-334	-208	-218	-229			
Other investments	0	-246	-170	-42	-46	-50			
Financing cash flow	631	-74	-818	-2	-2	-53	-100%	-4%	-100%
Capital	-274	15	277	0	0	0			
Dividends	0	0	0	0	0	0			
Others	1,118	28	-1,095	-2	-2	-53			
Effect of foreign exchange rate changes	-0	4	0	0	0	0			
Net change in cash	8.55	51	796	624	780	817			
Cash at beginning of period	1,066	1,074	1,125	1,921	2,545	3,325	5%	71%	26%
Cash at end of period	1,074	1,125	1,921	2,545	3,325	4,143	32%	31%	23%

Source: Company data, Macquarie Research, February 2017

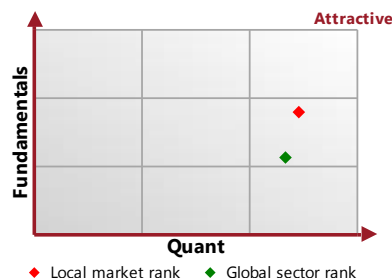
Macquarie Quant View

The quant model currently holds a reasonably positive view on 51job. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Valuations, indicating this stock is over-priced in the market relative to its peers.

80/358

Global rank in
Comm. & Prof. Services

% of BUY recommendations 25% (1/4)
Number of Price Target downgrades 0
Number of Price Target upgrades 0

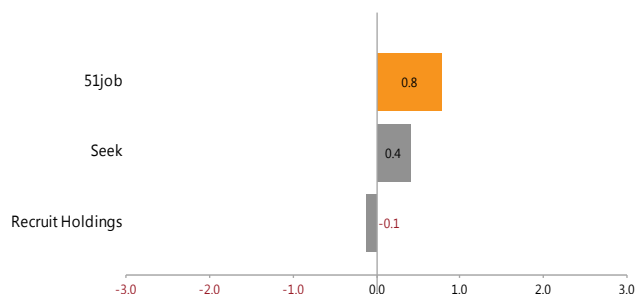


Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (China) and Global sector (Comm. & Prof. Services)

Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



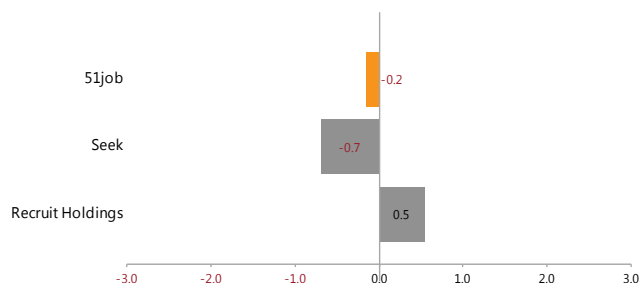
Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



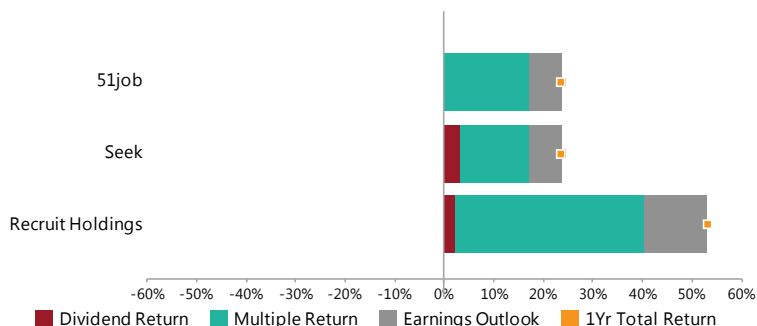
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



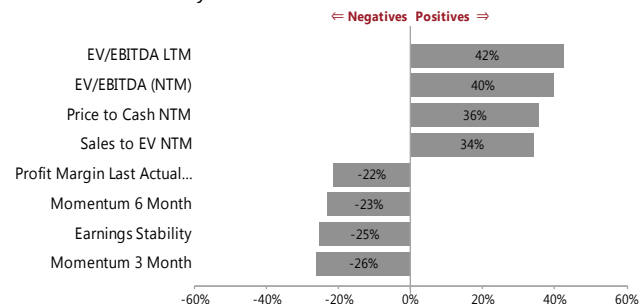
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



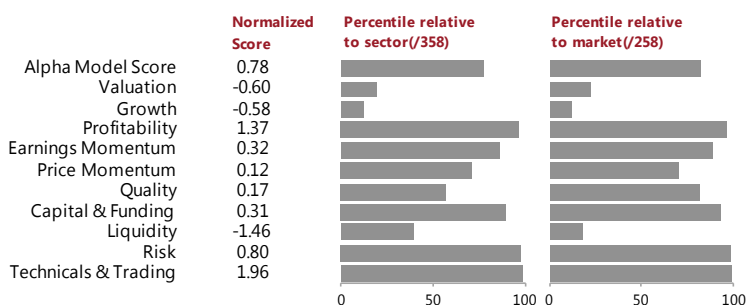
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpg@macquarie.com)

Important disclosures:**Recommendation definitions****Macquarie - Australia/New Zealand**

Outperform – return >3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie – South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2016

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	57.53%	50.72%	45.57%	42.28%	60.58%	52.79%	(for global coverage by Macquarie, 8.71% of stocks followed are investment banking clients)
Neutral	33.90%	33.97%	43.04%	50.11%	37.23%	35.62%	(for global coverage by Macquarie, 8.05% of stocks followed are investment banking clients)
Underperform	8.56%	15.30%	11.39%	7.61%	2.19%	11.59%	(for global coverage by Macquarie, 4.63% of stocks followed are investment banking clients)

JOBS US vs S&P 500, & rec history

(all figures in USD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, February 2017

12-month target price methodology

JOBS US: US\$34.00 based on a PER methodology

Company-specific disclosures:

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Date	Stock Code (BBG code)	Recommendation	Target Price
11-Nov-2016	JOBS US	Neutral	US\$32.00
06-May-2016	JOBS US	Neutral	US\$30.00
11-Aug-2015	JOBS US	Neutral	US\$31.00
12-May-2015	JOBS US	Neutral	US\$33.00
06-Mar-2015	JOBS US	Neutral	US\$35.00
11-Nov-2014	JOBS US	Neutral	US\$36.00
13-Aug-2014	JOBS US	Neutral	US\$38.00

Target price risk disclosures:

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