

Recruit

Sustainable Growth Hypothesis:

Owner of the job search engine Indeed and the employee review site Glassdoor, Recruit is a Japanese-based technology company with operations worldwide. The company's recruitment platforms and matching technology improve transparency and efficiency in the labour market, reducing economic hardship from frictional unemployment. The company seeks to go further by working with employers to reduce discrimination and help marginalised groups find work. Recruit supports our **prosperity** theme through business **practices** which promote fair and decent work.

1. Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?

- The recruitment market will continue to grow at a GDP plus rate, given the structural shortage of key workers and pressure on the labour force from demographic trends. In addition, network effects should lead to share gains, with Indeed being number one in most markets with only a 30 per cent market share.

2. Resilience: How much control does the company have over its own success?

- While vulnerable to economic cycles to an extent, Recruit should be at a relative advantage due to its competitive pricing, which would see them benefit from downtrading (eg Indeed Hire's executive search take rate is roughly one-third that of traditional headhunters).

3. Valuation: What is our insight?

- The valuation at the time of writing implies little worth in the business beyond Indeed, yet the company continues to innovate and introduce new features and revenue streams.

4. Products: To what extent will the core products & services create value for society over the next decade?

- It is the global number one in online recruitment tools, which improve matching in the labour market, reducing frictional unemployment and enabling more people to find decent work. Indeed pioneered algo-driven matching to become the Google of recruitment, resulting in better outcomes and keeping job seekers from financial hardship.

5. Practices: Does the company show leadership in its business practices?

- The company leverages its position to help underemployed minorities find work. Recruit is also a leader in its own human capital management, introducing diversity and inclusion initiatives in 2006 and now has no gender pay gap.

6. Ambition: What is the company's purpose, and how ambitious are they?

- The company has ambitious and measurable social targets, which is rare. Environmental, social and governance goals (including a net zero climate target) are linked to management compensation.

7. Trust: Should we trust the company with our clients' capital?

- Governance and transparency are much improved. The board is 50 per cent independent and 40 per cent female. We have had a positive reception to past engagement efforts.

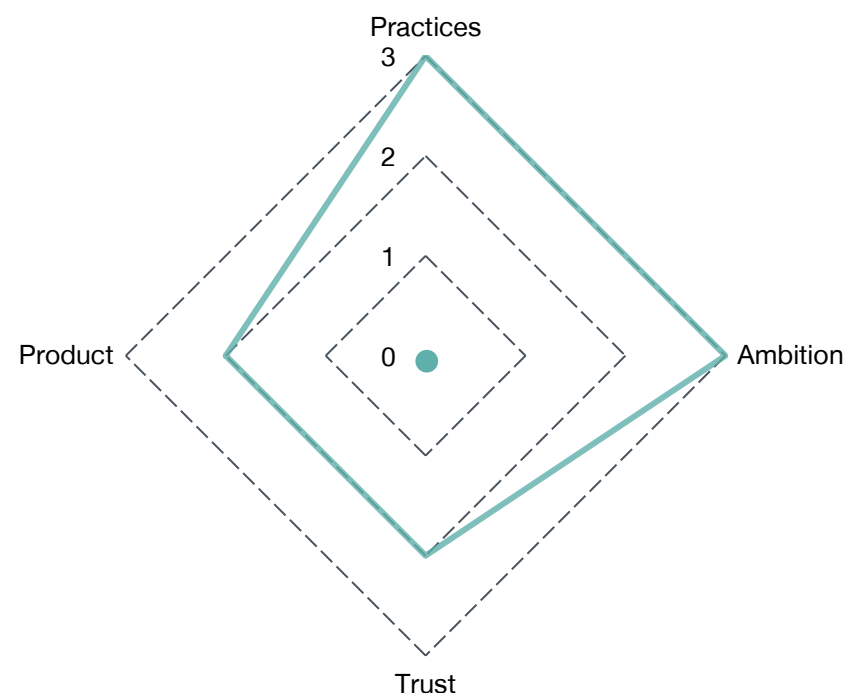
8. Engagement: No company is perfect, what should be our engagement priority?

- We must hold management accountable to the laudable commitments it has made.

9. Milestones: What developments should we pay most attention to? Where could we be wrong?

- The two main watchpoints are intensifying competition from big tech and any transformative mergers and acquisitions that compromise culture.

Compass Scores



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