

51job, Inc. JOBS (NAS)

Last Close	Industry	Sector
16.27 USD	Staffing & Outsourcing Services	Business Services

Profile

Pricing data through 19 Nov 2009

In addition to this comprehensive company profile, Morningstar offers in-depth analyst research and ratings on selected companies.

For information about our full analyst coverage, please contact:

Morningstar Equity Research
+1 (312) 696-6869
equityresearchsales@morningstar.com

Contents

Company Profile	1
Company Data	2
Management & Ownership	3
Industry Focus	4

51job, Inc. is a nationwide provider of integrated human resource services in China, with a strong focus on recruitment advertising. In addition to recruitment advertising services, it also provides executive search and other complementary human resource related services to employers. 51job provides services to both employers and job seekers. It provides a range of human resource services in the following categories: recruitment related services, including print advertising, online recruitment and executive search services; and other human resource related services, such as training and business process outsourcing.

51job Weekly is a city-specific recruitment advertising publication which is published once a week and is distributed as an insert in local newspapers and/or on a stand-alone basis. Employers use 51job Weekly both as a recruitment tool and as an advertising and publicity medium to promote their brand name and raise their corporate awareness among job seekers.

51job Weekly is divided into a number of separate sections, with certain sections targeted at higher income and more educated job seekers containing large, colorful advertisements on glossy, high quality paper. Other sections include simpler text-only advertisements targeted at middle and lower income job seekers.

The company's online recruitment website, www.51job.com advertisements cover many different job categories ranging from professional and middle management positions to clerical, industrial and hourly jobs. Job seekers might search for positions by city of employment, industry, job function, job title and job posting date. www.51job.com provides job seekers with online tools to search for job opportunities and allows them to search and review all current recruitment advertisements, receive e-mails of advertisements matching the job seeker's profile and preferences, submit resumes directly to prospective employers to apply for a desired position, organize and track job related information and applications, and obtain information about upcoming job fairs and career

development and other job related information.

The company conducts training seminars in business management, leadership, sales and marketing, human resource, negotiation skills, financial planning and analysis, public administration, manufacturing, secretarial and other skills. It provides seminars to the general public and on a customized, in-house basis for corporate clients. 51job provides campus recruitment services to corporations seeking to recruit college and university students. It assists corporations with recruitment strategy, selection of schools, schedule of campus visits, promotion of their image to students and logistical arrangements. It provides a monthly magazine called Future on a subscription or complimentary basis. Future contains articles, commentary, interviews and reports on general career management and development targeted mainly at young working professionals.

51job, Inc. JOBS

Sales CNY Mil -9 **Mkt Cap USD Mil** 453 **Industry** Staffing & Outsourcing Services **Sector** Business Services

51job is the largest provider of recruitment-related services in China in terms of service revenue. It offers print advertisement in its 51job Weekly publications and online recruitment services at 51job.com, a nationwide network that covers 26 Chinese cities. It also provides executive search services and other complementary human-resources-related services for recruiters.

21st Floor, Wen Xin Plaza 755 Wei Hai Road **Employees:** 4669
 Shanghai, 200041
 Phone: 8621 32014888
 Website: <http://www.51job.com>

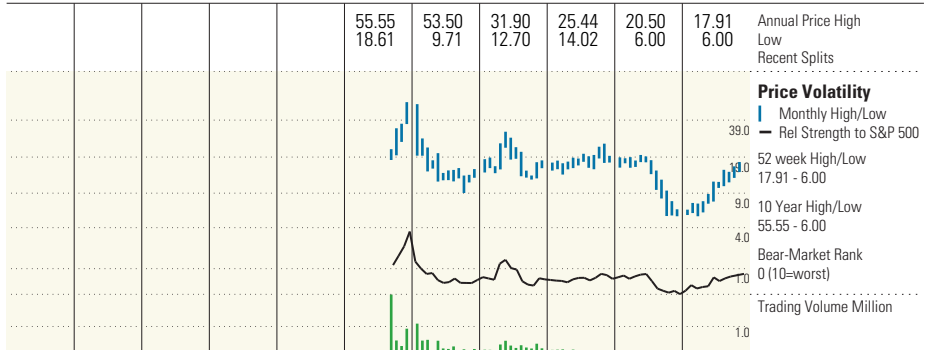
Growth Rates	Compound Annual				
	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	21.1	20.6	38.3	—	
Operating Income %	22.7	15.9	128.3	—	
Earnings/Share %	-26.2	8.1	12.5	—	
Dividends %	—	—	—	—	
Book Value/Share %	9.2	12.3	35.0	—	
Stock Total Return %	146.5	0.6	-12.1	—	
+/- Industry	104.1	13.1	-9.1	—	
+/- Market	110.7	8.5	-10.8	—	

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	5.3	11.7	0.0
Return on Assets %	4.7	9.6	0.0	5.9
Fixed Asset Turns	—	14.1	28.9	6.8
Inventory Turns	—	—	1208.8	11.3
Revenue/Employee CNY K	—	25.8*	—	871.2
Gross Margin %	—	—	26.3	40.7
Operating Margin %	—	—	-1.3	14.4
Net Margin %	—	—	0.0	6.6
Free Cash Flow/Rev %	—	15.9	5.0	0.0
R&D/Rev %	—	—	—	11.0

Financial Position	12-08 CNY Mil	03-09 CNY Mil
	Cash	155
Inventories	—	—
Receivables	3	2
Current Assets	167	169
Fixed Assets	30	30
Intangibles	1	1
Total Assets	201	203
Payables	4	4
Short-Term Debt	13	14
Current Liabilities	22	22
Long-Term Debt	—	—
Total Liabilities	22	22
Total Equity	180	180

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	49.3	—	—
Forward P/E	21.1	—	—	16.4
Price/Cash Flow	26.3	28.5	10.5	7.1
Price/Free Cash Flow	32.9	53.8	13.0	18.0
Dividend Yield %	—	—	2.2	2.1
Price/Book	2.5	5.2	2.6	2.2
Price/Sales	—	—	0.6	1.2
PEG Ratio	—	—	—	1.8

Morningstar Rating — **Last Price** 16.27 **Fair Value** — **Uncertainty** — **Economic Moat™** — **Stewardship Grade** —



1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	YTD	Stock Performance
—	—	—	—	—	—	-71.7	16.1	5.6	-65.8	164.1	Total Return %
—	—	—	—	—	—	-74.7	2.5	2.1	-27.3	142.9	+/- Market
—	—	—	—	—	—	-75.5	2.2	27.4	-35.5	139.4	+/- Industry
—	—	—	—	—	—	—	—	—	—	0.0	Dividend Yield %
—	—	—	—	—	1445	409	468	509	174	453	Market Cap USD Mil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Financials
—	—	—	19	34	55	69	83	105	0	-9	Revenue CNY Mil
—	—	—	41.6	45.9	50.8	52.1	55.4	56.3	—	—	Gross Margin %
—	—	—	0	4	11	9	14	18	-4	-8	Oper Income CNY Mil
—	—	—	1.4	12.1	19.8	13.7	17.4	17.6	—	—	Operating Margin %
—	—	—	0	3	6	7	12	14	11	9	Net Income CNY Mil
—	—	—	0.02	0.18	0.30	0.26	0.44	0.48	0.39	0.33	Earnings Per Share CNY
—	—	—	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Dividends CNY
—	—	—	12	14	18	28	28	28	28	28	Shares Mil
—	—	—	—	—	3.70	3.80	4.62	5.46	6.38	6.59	Book Value Per Share CNY
—	—	—	3	8	13	15	23	25	17	18	Oper Cash Flow CNY Mil
—	—	—	-1	-1	-1	-6	-19	-4	-3	-4	Cap Spending CNY Mil
—	—	—	2	7	11	9	4	21	14	14	Free Cash Flow CNY Mil

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Profitability
—	—	—	—	3.8	15.2	8.4	6.5	9.5	8.5	4.7	Return on Assets %
—	—	—	—	5.1	21.3	9.6	7.2	10.8	9.8	5.3	Return on Equity %
—	—	—	2.5	7.9	10.3	10.9	15.1	13.0	—	—	Net Margin %
—	—	—	—	1.52	1.94	0.81	0.59	0.63	0.66	—	Asset Turnover
—	—	—	—	1.3	1.4	1.1	1.1	1.1	1.2	1.1	Financial Leverage

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	03-09	Financial Health
—	—	—	6	11	98	97	100	123	146	147	Working Capital CNY Mil
—	—	—	—	—	—	—	—	—	—	—	Long-Term Debt CNY Mil
—	—	—	9	16	103	106	127	154	180	180	Total Equity CNY Mil
—	—	—	—	—	—	—	—	—	—	—	Debt/Equity

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	TTM	Valuation
—	—	—	—	—	—	55.6	37.9	36.0	15.6	49.3	Price/Earnings
—	—	—	—	—	—	3.2	2.3	2.2	1.4	2.4	P/E vs. Market
—	—	—	—	—	17.7	3.6	5.7	4.7	—	—	Price/Sales
—	—	—	—	—	14.0	3.9	3.7	3.3	1.0	2.5	Price/Book
—	—	—	—	—	76.3	16.6	20.3	19.3	9.9	26.3	Price/Cash Flow

Quarterly Results	Revenue CNY Mil			
	Jun 08	Sep 08	Dec 08	Mar 09
Most Recent Period	29.8	28.9	-92.4	26.1
Prior Year Period	27.3	29.1	22.5	32.8
Rev Growth %	Jun 08	Sep 08	Dec 08	Mar 09
	9.2	-0.9	—	-20.5
Most Recent Period	-84.3	-83.9	-83.1	-83.6
Earnings Per Share CNY	Jun 08	Sep 08	Dec 08	Mar 09
	0.10	0.15	0.04	0.05
Most Recent Period	0.28	0.13	0.07	0.11

Industry Peers by Market Cap	Mkt Cap USD Mil			
	Rev CNY Mil	P/E	ROE%	
51job, Inc.	453	-9	49.3	5.3
Paychex, Inc.	11185	2049	22.0	38.9
Randstad	6396	20517	—	—

Major Fund Holders	% of shares	
Evergreen Emerging Markets Growth A		0.93
Fidelity Pacific Basin		0.64
Delaware Emerging Markets A		0.44

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.



51job, Inc. JOBS (NAS)

Last Close	Industry	Sector
16.27 USD	Staffing & Outsourcing Services	Business Services

Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
NA	NA	NA	NA	NA

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
Evergreen Emerging Markets Growth A	QQQQ	0.93	0.61	0	30 Jun 2009
Fidelity Pacific Basin	Q	0.64	0.37	0	31 Aug 2009
Delaware Emerging Markets A	QQQQ	0.44	0.28	0	30 Jun 2009
Munder Internet A	QQQ	0.40	0.41	0	31 Jul 2009
Firsthand e-Commerce	QQQ	0.12	1.12	33	31 Mar 2009
Concentrated Holders					
Firsthand e-Commerce	QQQ	0.12	1.12	33	31 Mar 2009

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Firsthand e-Commerce	QQQ	0.12	1.12	33	31 Mar 2009
Fidelity Select Technology	QQQ	0.06	0.01	15	31 Jul 2009
Evergreen Global Opportunities A	QQQQ	0.01	0.01	3	30 Jun 2009

Top 5 Sellers

NA	NA	NA	NA	NA
----	----	----	----	----

51job, Inc. JOBS (NAS)

Last Close	Industry	Sector
16.27 USD	Staffing & Outsourcing Services	Business Services

Industry Focus: Staffing & Outsourcing Services

'Hire' Performance by Our Top Employment Services Pick

09 October 2009

Vishnu Lekraj
Stock Analyst

We think these higher-quality names will outperform the rest.

For the vast majority of local newspapers, the help wanted section has shrunk to a tiny fraction of what it was just two years ago. During this "Great Recession," the employment market has reached a weakened state not seen since the early years of the Reagan administration. Monthly job loses have averaged in the hundreds of thousands, and the unemployment rate is poised to break the psychologically important 10% mark. Also, the majority of economists do not expect job loses to cease until early to mid-2010. Even with the plethora of negative news, we believe there may be a slight glimmer of hope. We have seen a marked improvement in the pace of month-to-month sequential employment losses for almost all major economic sectors. Other data series and anecdotal evidence we watch closely also point to the beginnings of a recovery for the employment market. However, caution should be taken when viewing these positive signs as the situation remains very precarious, and we do not expect any significant job growth until the middle of 2010.

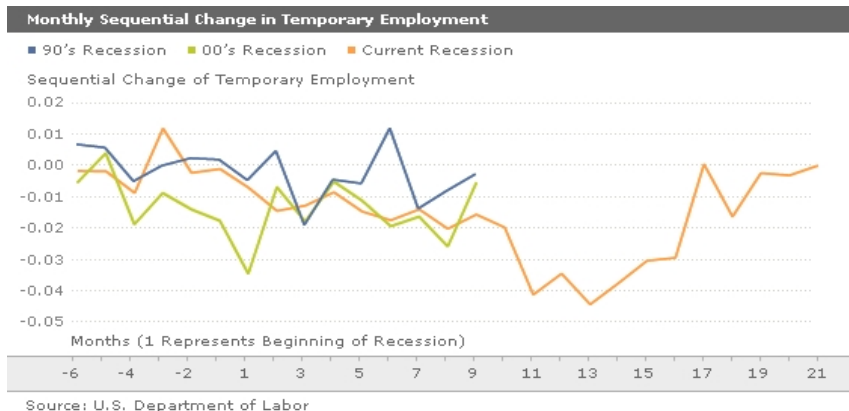
Given the many moving parts to this story, how does an investor make sense of the disorderly information and pick the best-performing employment-related stocks? In this article we plan to discuss some of the trends we are currently seeing and what stocks we strongly believe will provide investors with outsized returns over the long term.

How Have Our Expectations Played Out?

When we wrote our last article back in February, the unemployment rate was at 7.6%. At that point we were gravely concerned that the current recession would be harsher than most and the effect it would have upon the employment market would be very negative. We looked at the trends and believed there was a very good chance that the unemployment rate could reach and/or surpass 10%. So far, the path of the unemployment rate has been on par with our expectations. However, this does not mean that we feel the environment will get materially worse for the employment firms we cover. Believe it or not, the current underlying trends bode well for the stronger employment-services players.

What Are Our Expectations Moving Forward?

Even though the unemployment rate will likely continue to rise at least over the near term, we are seeing some encouraging signs on several fronts. A key data point we keep a keen eye on is the usage of temporary labor by businesses. The monthly sequential movement for this number can give an indication as to how businesses view their staffing needs. Businesses use temporary labor mainly as a cushion. When prospects turn negative, they tend to divest temporary resources and when prospects turn positive, they start to acquire temporary resources. As the chart below shows the sequential movement of this number has ticked very close to 0; meaning businesses have turned neutral from deeply negative about their staffing needs.



Additionally, all major economic sectors have shown good improvement in terms of monthly sequential loses as the

51job, Inc. JOBS (NAS)

Last Close	Industry	Sector
16.27 USD	Staffing & Outsourcing Services	Business Services

Industry Focus: Staffing & Outsourcing Services

steep drop in the aggregate level of employment has slowed significantly during the last five months. Losses are still occurring, and this is still troubling. But the torrid pace has subsided. Even some of the most notoriously cyclical firms we cover, the temporary staffing firms, have been more and more positive in their tone for future prospects.

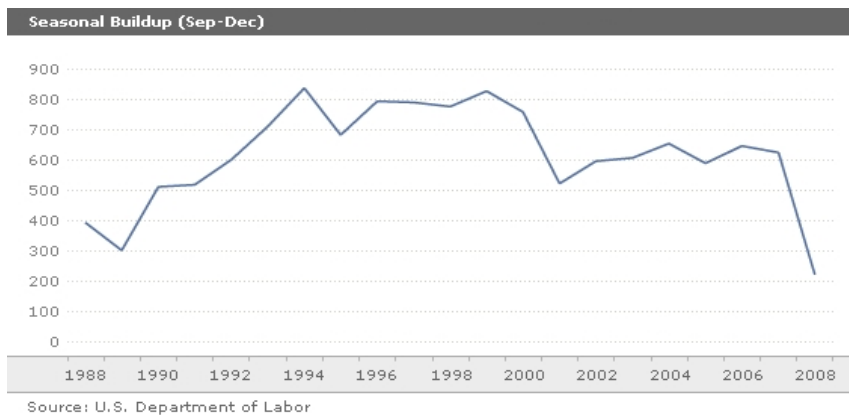
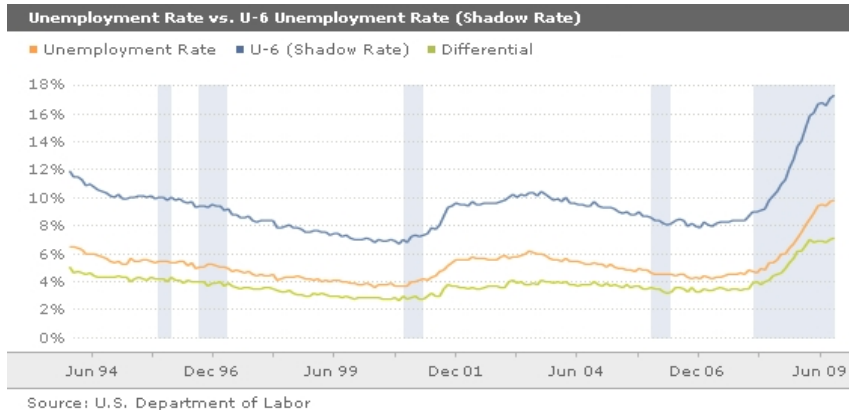
Even with these positive trends, we still see a few troubling points. The U-6 unemployment rate, or what we like to call "the shadow unemployment rate," has stayed at an elevated level. The U-6 encompasses not only the unemployed, but also workers who would like to work full-time but are only

able to garner part-time work. The chart below shows how this rate has behaved in relation to the headline unemployment rate.

As one can see, the differential between the U-6 and headline unemployment rate has risen to an elevated level and this likely means that the lackluster labor situation is worse than what the headlines may indicate. During this economic downturn, businesses have been a bit more active in terms of cutting hours or putting parts of their staff on furlough. Fewer work hours lead to less disposable income and ultimately less economic activity. One key externality of this dynamic pertains to the impaired level of seasonal holiday hiring for the retail sector. Seasonal hiring last year hit a 20-year low as the chart below shows and this obviously is a negative factor.

Every year hundreds of thousands of jobs are pushed into the economy because of seasonal hiring. Depressed seasonal hiring last year hurt the overall economy; however, this year's trend looks a little better as job losses for the sector were about half of what they were year-over-year for the month of August.

This all leads to a set mixed set of results. The main point in our opinion, however, is that the employment market is improving, albeit at a lethargic pace. The deep loses associated with the last year have ended, and we feel the debate should now surround the pace of a recovery. Given the weakened and deleveraging consumer, the shock of the credit crisis, the significant increase in worker productivity, the deep secular troubles of certain sectors (such as auto manufacturing and construction), and the delayed disbursement of the federal stimulus funds, the pace may be more gradual than what some stock market participants would like to see.



51job, Inc. JOBS (NAS)

Last Close	Industry	Sector
16.27 USD	Staffing & Outsourcing Services	Business Services

Industry Focus: Staffing & Outsourcing Services

Put Your Money to Work with Our Top Employment Services Pick

Even though employment firms are notorious for their extreme cyclical nature, we do believe the higher-quality names will outperform the rest over the long term. Temporary staffing is a harsh business, and this industry enjoys a boom-and-bust cycle that can rival any economic bubble. Picking a firm that can somewhat limit its downside risk while still being able to reap the rewards of an upswing can be tough. However, we believe the quality staffing firms with solid competitive advantages such as Manpower MAN, Robert Half RHI, and AMN Healthcare AHS will outperform the rest of their peers.

Although the temporary staffers can offer the investor a wild ride, we prefer steady and robust returns when we invest in the market. This is a hard task given the cyclical nature of most employment services firms. However, there are two employment services firms we believe that can consistently produce great profitability, Automatic Data Processing ADP and Paychex PAYX. These firms compete within the payroll processing industry which is driven mainly by the total level of the employment market, which is a much more stable demand base. Returns on invested capital have been substantial for both firms, and we believe each possesses formidable competitive advantages. Although both will thrive long term in our opinion, only Paychex is currently priced at a deep discount to our fair value estimate. Even though ADP is a stalwart performer, its stock has risen significantly since we recommended it earlier this year, and it is no longer priced at a deep enough discount to our fair value estimate. In the case of Paychex, we believe the market has unduly penalized it. Paychex currently trades at a trailing price/earnings ratio of 20 while the stock has averaged a 29 for this metric during the last five years. Given the deep losses within the employment market, the firm was still able to increase revenue and produce close to 40% operating margins during fiscal 2009. Even firms in less cyclical industries would like to have produced these results in this harsh economic environment. However, this kind of performance has been the norm for Paychex.