

51job, Inc. JOBS (NAS)

Last Close	Industry	Sector
44.54 USD	Staffing & Outsourcing Services	Industrials

Profile

Pricing data through 10 Feb 2012

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51job, Inc. commenced its business in 1998. It 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. The Company 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. The Company's key competitors are typically service agencies affiliated with or sponsored by local government personnel bureaus. In the training services market, it faces competition mainly from small, local training firms or individual trainers who specialize in specific areas of expertise. The competition in the executive search services market in China is largely fragmented and its main competitors include entities such as Bó-Lè Associates, Ltd., Horton International, Hudson Highland Group and Sterling.

51job, Inc. JOBS

Sales USD Mil 189 **Mkt Cap USD Mil** 1,268 **Industry** Staffing & Outsourcing Services **Sector** Industrials

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.

Building 3No. 1387
Shanghai, 201203
Phone: 86 2161601888
Website: <http://www.51job.com>

Employees: 4354

Growth Rates	Compound Annual				
	1 Yr	3 Yr	5 Yr	10 Yr	
Revenue %	33.4	6.9	11.6	—	
Operating Income %	126.2	24.6	28.7	—	
Earnings/Share %	104.5	31.2	31.0	—	
Dividends %	—	—	—	—	
Book Value/Share %	22.0	13.7	13.8	—	
Stock Total Return %	-20.9	85.7	20.2	—	
+/- Industry	-6.8	69.0	26.2	—	
+/- Market	-22.5	68.2	21.6	—	

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	19.2	10.3	7.1
Return on Assets %	16.0	9.0	3.0	9.5
Fixed Asset Turns	6.3	4.7	32.7	7.5
Inventory Turns	—	—	22.9	16.1
Revenue/Employee USD K	43.5	29.9*	—	1049.9
Gross Margin %	70.2	59.5	26.4	38.3
Operating Margin %	33.0	17.4	1.1	16.7
Net Margin %	27.5	14.6	1.6	11.2
Free Cash Flow/Rev %	—	17.9	2.8	0.1
R&D/Rev %	—	—	—	9.7

Financial Position	12-10 USD Mil	09-11 USD Mil
	Cash	181
Inventories	—	—
Receivables	5	5
Current Assets	267	343
Fixed Assets	31	30
Intangibles	1	1
Total Assets	302	375
Payables	8	8
Short-Term Debt	—	—
Current Liabilities	50	65
Long-Term Debt	—	—
Total Liabilities	51	65
Total Equity	251	310

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	24.4	28.8	35.5
Forward P/E	15.9	—	—	13.5
Price/Cash Flow	24.0	18.9	15.1	7.4
Price/Free Cash Flow	25.9	21.5	20.9	16.9
Dividend Yield %	—	—	2.4	2.0
Price/Book	4.0	3.2	2.7	2.0
Price/Sales	6.7	5.1	0.6	1.2
PEG Ratio	0.7	—	—	1.4

Morningstar Rating — **Last Price** 44.54 **Fair Value** — **Uncertainty** — **Economic Moat™** — **Stewardship Grade** —

per share prices in USD



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	Stock Performance
—	—	—	-71.7	16.1	5.6	-65.8	188.6	177.0	-14.8	6.2	Total Return %
—	—	—	-74.7	2.5	2.1	-27.3	165.2	164.2	-14.8	-0.6	+/- Market
—	—	—	-83.9	4.7	26.0	-32.0	153.1	158.8	1.3	-1.8	+/- Industry
—	—	—	—	—	—	—	—	—	—	0.0	Dividend Yield %
—	—	1445	409	468	509	174	490	1391	1194	1268	Market Cap USD Mil

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Financials
15	19	34	55	73	88	111	117	113	152	189	Revenue USD Mil
31.0	41.6	45.9	50.8	54.8	57.9	58.7	53.7	60.5	66.5	70.2	Gross Margin %
-3	0	4	11	9	14	18	14	18	40	62	Oper Income USD Mil
-19.1	1.4	12.1	19.8	12.9	16.4	16.7	11.9	15.5	26.4	33.0	Operating Margin %
-3	0	4	7	7	12	14	11	16	35	52	Net Income USD Mil
—	0.02	0.18	0.30	0.26	0.44	0.48	0.39	0.59	1.22	1.77	Earnings Per Share USD
—	—	—	—	—	—	—	—	—	—	—	Dividends USD
—	12	15	19	29	28	28	28	28	28	30	Shares Mil
—	—	3.70	3.80	4.62	5.46	6.38	7.04	8.89	11.04	11.03	Book Value Per Share USD
—	3	8	13	15	23	25	17	31	51	53	Oper Cash Flow USD Mil
—	-1	-1	-1	-7	-19	-4	-3	-5	-4	-4	Cap Spending USD Mil
—	2	7	11	8	4	21	14	27	47	49	Free Cash Flow USD Mil

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Profitability
—	4.8	22.6	10.9	6.5	9.5	8.5	5.7	7.8	13.4	16.0	Return on Assets %
—	6.7	31.5	12.5	7.2	10.8	9.8	6.5	8.8	15.8	19.2	Return on Equity %
-18.8	2.5	11.6	13.4	10.3	14.2	12.3	9.4	14.5	22.7	27.5	Net Margin %
—	1.93	1.94	0.81	0.63	0.67	0.70	0.61	0.54	0.59	0.58	Asset Turnover
—	1.3	1.4	1.1	1.1	1.1	1.2	1.1	1.1	1.2	1.2	Financial Leverage

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	09-11	Financial Health
2	6	11	98	97	100	123	146	160	217	278	Working Capital USD Mil
—	—	—	—	—	—	—	—	—	—	—	Long-Term Debt USD Mil
5	9	16	103	106	127	154	180	194	251	310	Total Equity USD Mil
—	—	—	—	—	—	—	—	—	—	—	Debt/Equity

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Valuation
—	—	—	55.6	37.9	36.0	15.6	30.0	39.2	22.9	24.4	Price/Earnings
—	—	—	—	—	—	—	—	—	1.3	1.7	P/E vs. Market
—	—	17.7	3.4	5.4	4.4	1.5	4.4	8.9	6.3	6.7	Price/Sales
—	—	14.0	3.9	3.7	3.3	1.0	2.5	5.5	3.8	4.0	Price/Book
—	—	76.3	16.6	20.3	19.3	9.9	15.8	26.8	22.6	24.0	Price/Cash Flow

Quarterly Results						
Revenue	USD Mil	Dec 10	Mar 11	Jun 11	Sep 11	
Most Recent Period		42.7	46.4	48.4	50.7	
Prior Year Period		31.3	35.2	36.5	38.0	
Rev Growth %		Dec 10	Mar 11	Jun 11	Sep 11	
Most Recent Period		36.4	31.6	32.8	33.5	
Prior Year Period		-79.3	-79.1	-80.1	-81.7	
Earnings Per Share	USD	Dec 10	Mar 11	Jun 11	Sep 11	
Most Recent Period		0.34	0.47	0.43	0.51	
Prior Year Period		0.25	0.27	0.28	0.32	

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
51job, Inc.	1268	189	24.4	19.2
Paychex, Inc.	11347	2163	21.1	35.8
Adecco SA	8665	28447	13.7	15.1

Major Fund Holders		% of shares
		—
		—
		—



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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
Fidelity South East Asia A-SGD	QQQQ	2.99	0.54	0	31 Dec 2011
Fidelity South East Asia RSX	QQQQ	1.55	0.55	0	31 Dec 2011
Wells Fargo Advantage Emerg Mkts Eq A	QQQQQ	1.47	0.78	0	31 Dec 2011
SLTM Pacific Basin	QQQ	1.09	0.62	0	31 Oct 2011
Columbia Acorn International Z	QQQQ	0.93	0.21	0	31 Dec 2011
Concentrated Holders					
Standard Life SICAV China Eqs Z	QQQQ	0.31	3.97	7	31 Oct 2011
The Tai Chi Fund	QQQ	0.03	2.85	1	31 Dec 2011
Munder Growth Opportunities A	QQQ	0.83	2.30	10	30 Nov 2011
Waverton Asia Pacific B USD	QQ	0.14	2.25	0	31 Jan 2012

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
CMB QDII Fidelity China Focus	QQQQQ	0.35	0.11	100	31 Dec 2011
Fidelity Asian Special Sits A-Acc-USD	QQQQQ	0.80	0.53	20	31 Dec 2011
Undrly Stan Life Corp Overseas Pen		0.33	0.47	20	31 Oct 2011
BlackRock Global SmallCap Inv A	QQQQQ	0.21	0.26	11	31 Dec 2011
BNPP L1 Equity Asia Emerging C EUR-D	Q	0.04	0.28	10	30 Nov 2011
Top 5 Sellers					
Oberweis China Opportunities	QQ	0.19	1.80	-15	30 Sep 2011
PACE Small/Medium Co Growth Equity P	QQQQQ	0.05	0.16	-13	31 Oct 2011
First Trust ISE Chindia Idx	QQQ	0.04	0.67	-3	31 Dec 2011
Oberweis Emerging Growth	Q	0.05	0.87	-3	30 Sep 2011

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Industry Focus: Employment Services

Opportunities in Employment

08 June 2011

Vishnu Lekraj
Senior Stock Analyst

The price is right for a few names on our employment services list.

While by no means robust, job growth did return to positive territory during the latter half of 2010. This dynamic continued into the first four months of 2011 with the government reporting 1.7 million nonfarm jobs added between January 2010 and May 2011. The private sector was even more robust as 2.0 million nonfarm jobs were added during this period, excluding the government sector. The unemployment rate has fallen 70 basis points to 9.1% from November 2010 to May 2011, which is a mostly positive sign as the participation rate has not fallen on par. Additionally, most employment services firms continued to report robust results during the most recent earnings season, and many management teams have stated that these trends will accelerate for the remainder of 2011. The confluence of positive data has reinforced our expectation for moderate job growth for 2011. Given the strengthening employment market, there has been a runup in the share prices of most employment services firms. The average price/fair value ratio for staffing and payroll processing firms is currently at 1. Many investors already have priced in a solid recovery for many of these players, in our opinion. However, there are a few names we currently believe are undervalued and offer market participants a compelling opportunity. **AMN Healthcare and Cross Country Healthcare**

Why Undervalued: During the last few years, lower patient admission rates at medical facilities, light staffing turnover for clients, and uncertainty related to the future composition of the health-care industry have provided unprecedented headwinds for health-care staffing firms. This dynamic has challenged AMN Healthcare AHS and Cross Country Healthcare CCRN, with each reporting revenue decreases of close to 40% and deep operating margin compression from 2008-10. Accordingly, the price of each firm's stock has tumbled approximately 50% since the beginning of the most recent recession. Catalysts for Stock Price Appreciation:

Currently AMN trades at 20 times and Cross Country trades at 25 times 2012 earnings per share consensus estimates. However, both trade at a very attractive 7.4 times and 8.7 times, respectively, to 2007 EPS results, which we believe represents a more normalized year. Coupling this valuation with growing demand for health-care services paints a very compelling long-term picture, in our opinion. We don't believe the stock price for these staffing players will continue to trade at a discount to normalized earnings given the growth opportunities within their end market. Demographic shifts and medical advances should have an aging effect upon the U.S. population, and shortages among health-care workers are anticipated. According to the Department of Health and Human Services, the current shortage of nurses will become severe by 2020. We believe the falloff in industry results is completely due to cyclical factors, and therefore we forecast a return to a normalized level of earnings within the next few years. Even though staffing is a very tough industry, AMN's and Cross Country's niche staffing expertise within one of the fastest-growing sectors of the U.S. economy makes each firm's current equity valuation unjustified. **Resources Global Professionals**

Why Undervalued: Business project spending has bounced back in the last nine months, enabling Resources Global RECN to produce revenue growth of approximately 10% during this same period. Despite this strong growth, Resources Global had to contend with pricing pressure in the recent fiscal third quarter, and gross margins decreased 158 basis points to 37.01% from 38.59% a year prior. Management said a material portion of this decline was due to a compression in the bill/pay spread (the amount Resources bills its customers less the amount it pays its temporary workers), which was all due to lower billing rates. This development is concerning, but management said it expects this trend to reverse in the fourth quarter as many competitors are pricing irrationally. The price elasticity of demand for its project/consulting based projects seems to have increased as many players have moved in, attempting to capture a piece of the rebounding business-spending market. Based on its gross margin miss and

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Industry Focus: Employment Services

admitted pricing headwinds, the firm's stock price has fallen 22% since the beginning of April and changed from a fairly priced 3-star stock to a deep 4-star stock. Catalysts for Stock Price Appreciation: Even though the pricing headwinds that Resources Global hinted at during its fiscal third-quarter release surprised the Street, we believe they are short-term in nature. Over the longer term as business spending starts to grow robustly, Resources should benefit from this increased demand. We believe the near-term compression in its bill/pay spread should reverse as growing customer demand increases end-market inelasticity. Historically, Resources produced average gross margins of 39.0% (39.1% in 2010) and we have modeled average gross margins of 38.8% during our seven-year explicit forecast period. We have modeled our operating margin assumptions to average 11.7% for the next seven years compared to 10.3% during the previous seven years. We assume the firm will be able to leverage its SGA as it scales with growing project demand. Even if average operating margins are assumed to not scale and average the firm's historical 10.3%, our fair value estimate would be \$20 per share, well above current trading levels. In addition, growing usage of temporary/project-based labor by businesses during the next several years should benefit Resources Global greatly. The typical temporary worker Resources recruits is an individual with 20-plus years' experience in a given industry and a desire to choose what projects to work on. The competency of its temporary workforce augments Resources Global's competitiveness, in our opinion, and makes its employment network a top choice for clients. This should lead to steady top- and bottom-line expansion for the firm during the next several years.