

INTERIM MANAGEMENT STATEMENT QUARTER ENDED 31 MARCH 2014

10 April 2014

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Financial summary

Growth in net fees for the quarter ended 31 March 2014 (Q3 FY14)

(versus the same period last year)

	Growth	
	Actual	LFL ⁽¹⁾
By region		
Asia Pacific	(21)%	(4)%
Continental Europe & Rest of World	6%	11%
United Kingdom & Ireland	14%	14%
Total	1%	8%
By segment		
Temporary	2%	8%
Permanent	0%	9%
Total	1%	8%

Highlights

- Good Group performance with accelerating quarterly net fee growth and continued improvement in conditions across many key markets
- Strong, broad-based growth of 14%⁽¹⁾ in the UK & Ireland driven by excellent Perm growth of 25%⁽¹⁾. All major specialisms grew by over 10%⁽¹⁾, including Accountancy & Finance, Construction & Property and IT
- Strong growth of 11%⁽¹⁾ in Continental Europe & Rest of World. Growth accelerated to 12%⁽¹⁾ in Germany and 14 other countries delivered net fee growth of over 10%⁽¹⁾, including Belgium, Spain and Switzerland
- Asia Pacific net fees decreased by 4%⁽¹⁾. Australia net fees decreased by 12%⁽¹⁾ but we saw broad-based stability in activity levels in the quarter. Asia delivered continued excellent growth of 25%⁽¹⁾
- Group consultant headcount was up 1% during the quarter and increased by 2% year-on-year
- We expect full year operating profit to be towards the top of the current range of market estimates, which we understand to be £141 million⁽²⁾, based on a good start to the second half overall and strong performances in key markets such as the UK and Germany

Commenting on the Group's performance, Alistair Cox, Chief Executive, said:

"This has been another good quarter of growth for the Group as we continued to capitalise on improving conditions in many of our key markets, leading to an increase in our expectations for full year profits. In the UK & Ireland we delivered the strongest rate of quarterly net fee growth for six years including excellent Perm growth of 25%⁽¹⁾ as candidate confidence improved significantly. Elsewhere around the world we saw continued recovery in many European, Asian and American markets and seven of our businesses delivered record monthly net fees, including key businesses such as Germany, Canada and Japan.

Looking ahead we are confident that the improvements we have seen in our key markets will continue, presenting further growth opportunities for the Group. We also see clear signs that conditions in Australia have stabilised. We will continue to invest to capture these opportunities and maintain our focus on driving productivity to deliver on our long-term profit and cash objectives."

Group

In the third quarter ended 31 March 2014 net fees increased 1% on a headline basis and 8% on a like-for-like basis⁽¹⁾ against the prior year. The difference between the actual growth and like-for-like growth rates was primarily the result of a material depreciation in the rate of exchange between the Australian Dollar and Sterling. The timing of Easter generated a c.1% benefit to the Group's year-on-year net fee growth rate in the quarter, which will reverse in Q4. Net fees in the Temp business, which accounted for 60% of Group net fees in the quarter, increased by 8%⁽¹⁾, and the underlying temp margin⁽³⁾ was broadly stable. Net fees in the Perm business, which is not affected by the timing of Easter, increased by 9%⁽¹⁾.

The exit rate of overall Group net fee growth was broadly in line with the quarter as a whole.

Consultant headcount was up 1% in the quarter and increased by 2% year-on-year.

We expect full year operating profit to be towards the top of the current range of market estimates, which we understand to be £141 million⁽²⁾, based on a good start to the second half overall and strong performances in key markets such as the UK and Germany.

Asia Pacific

In Asia Pacific, which represented 22% of Group net fees, net fees decreased by 4%⁽¹⁾.

In Australia & New Zealand, net fees decreased by 10%⁽¹⁾ but we saw broad-based stability in activity levels through the quarter. Temp net fees, which represented 67% of net fees in the quarter, decreased by 6%⁽¹⁾ but have now been sequentially stable for nine months. Perm net fees decreased by 17%⁽¹⁾ as candidate confidence remained subdued. At a state level, New South Wales and Victoria, which together accounted for 50% of our Australian business, saw net fees decrease by 7%⁽¹⁾, and in Western Australia and Queensland, which together accounted for 32% of our Australian business, net fees decreased by 16%⁽¹⁾. In New Zealand, we saw strong net fee growth of 10%⁽¹⁾.

In Asia, which accounted for 21% of the division, net fees increased by 25%⁽¹⁾ and we saw strong momentum through the quarter. Hong Kong, Malaysia, Singapore and China all delivered excellent net fee growth of over 30%⁽¹⁾. Japan, our largest business in Asia, delivered good net fee growth of 8%⁽¹⁾ and had a record monthly net fee performance during the quarter.

Consultant headcount in the division was up 3% in the quarter but down 1% year-on-year. In Australia & New Zealand, consultant headcount was up 3% in the quarter but down 7% year-on-year. In Asia, consultant headcount was up 4% in the quarter and up 17% year-on-year.

Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 43% of Group net fees, we delivered strong net fee growth of 11%⁽¹⁾. In Germany, growth accelerated to 12%⁽¹⁾, driven by good growth of 9%⁽¹⁾ in our core IT & Engineering business and continued strong growth in our newer specialisms such as Accountancy & Finance, Construction & Property and Life Sciences, which all grew by more than 10%⁽¹⁾. Overall Temp net fees were up 14%⁽¹⁾ and Perm net fees increased by 2%⁽¹⁾.

Net fees increased by 10%⁽¹⁾ in the rest of the division, which is primarily a Perm business. Within this, 14 countries delivered net fee growth of 10%⁽¹⁾ or more including key businesses such as Belgium, which grew by 19%⁽¹⁾ Spain where growth was 18%⁽¹⁾ and Switzerland which grew by 18%⁽¹⁾. In France, which is our second largest business in the division, net fees were up by 7%⁽¹⁾.

Consultant headcount in the division was down 1% in the quarter and year-on-year.

United Kingdom & Ireland

In the United Kingdom & Ireland, we delivered strong net fee growth of 14%⁽¹⁾, the strongest quarterly growth for six years. Our Temp business delivered good growth of 8%⁽¹⁾ and our Perm business delivered excellent growth of 25%⁽¹⁾ as we saw a significant improvement in candidate confidence. Activity levels were strong and broad-based as all regions delivered year-on-year net fee growth. We saw particularly strong performances from the East of England, the North, the North West and the Midlands, all of which grew by more than 20%⁽¹⁾. Our London business, excluding City-related, also saw strong growth. Ireland again performed well and delivered excellent net fee growth of 45%⁽¹⁾.

In our private sector business, net fees increased by 12%⁽¹⁾. Overall market conditions saw further improvement, with Construction & Property, IT and Office Support all delivering excellent growth. Net fees in our largest specialism of Accountancy & Finance grew by 21%⁽¹⁾ within which our Senior Finance business grew by 24%⁽¹⁾. Our public sector business again delivered strong net fee growth of 19%⁽¹⁾, driven primarily by a strong performances in our Education and Healthcare businesses.

Consultant headcount in the division was up 2% in the quarter and up 8% year-on-year.

Cash flow and balance sheet

Cash performance in the quarter was strong, with net debt at the end of March at c.£75 million (31 December 2013: £105.2 million).

- (1) LFL (like-for-like) growth represents organic growth at constant currency.
- (2) As of 9 April 2014 we understand the range of analysts' estimates for Operating Profit in the financial year ending 30 June 2014 to be £130 million to £141 million. (Source: ThomsonReuters).
- (3) The underlying temp gross margin is calculated as temp net fees divided by temp gross revenue and relates solely to temporary placements in which Hays generates net fees and specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies.

Enquiries

Hays plc

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Bell Pottinger

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Conference call

Paul Venables and David Walker of Hays plc will conduct a conference call for analysts and investors at 9:00am United Kingdom time on 10 April 2014. The dial-in details are as follows:

Dial-in number	+44 (0)20 3139 4830
Password	96138820#

The call will be recorded and available for playback for seven days as follows:

Replay dial-in number	+44 (0)20 3426 2807
Access code	647333#

Reporting calendar

Trading Update for quarter ending 30 June 2014	10 July 2014
Preliminary Results for the year ending 30 June 2014	28 August 2014
Interim Management Statement for quarter ending 30 September 2014	9 October 2014

Hays Group overview

Hays has 7,979 employees in 240 offices in 33 countries. In many of our global markets, the vast majority of professional and skilled recruitment is still done in-house, with minimal outsourcing to recruitment agencies which presents substantial long-term structural growth opportunities. This has been a key driver of the rapid diversification and internationalisation of the Group, with the International business representing 67% of the Group's net fees as at 31 December 2013, compared with just over 20% 10 years ago.

Our 5,150 consultants work in a broad range of sectors with no sector specialism representing more than 26% of Group net fees. While Accountancy & Finance, Construction & Property and IT & Engineering represent 59% of Group net fees, our expertise across 20 professional and skilled recruitment specialisms gives us opportunities to rapidly develop newer markets by replicating these long-established, existing areas of expertise.

In addition to this international and sector diversification, the Group's net fees are generated 59% from temporary and 41% permanent placement markets, and this balance gives our business model relative resilience. This well diversified business model continues to be a key driver of the Group's financial performance.

Cautionary statement

This Interim Management Statement (the "Report") has been prepared in accordance with the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions made in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report should be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.