

# INTERIM MANAGEMENT STATEMENT QUARTER ENDED 31 MARCH 2015

10 April 2015

ACCOUNTANCY &  
MA/CONSTRUCTI  
CONTACT CENTR  
ATIONS/EDUCATI  
HNOLOGY/LEGAL  
SAFETY/POLICY&  
OURCES & MINING  
NGINEERING/HU  
LOGISTICS/FACILITIES MANAGEMENT/FINANCIAL  
CIAL SERVICES/SOCIAL CARE/SALES & MARKETI  
ING/ENERGY/OFFICE SUPPORT/RESPONSE MANA  
HEALTHCARE/OIL & GAS/ARCHITECTURE/ASSESS  
& DEVELOPMENT/PUBLIC SERVICES/ACCOUNTAN  
NCY & FINANCE/EDUCATION/PHARMA/CONSTRU  
NSTRUCTION & PROPERTY/RESOURCE MANAGEM  
MENT/MANUFACTURING & OPERATIONS/RETAIL/I  
INFORMATION TECHNOLOGY/SALES & MARKETING  
RATEGY/BANKIN  
MARKETING/ENE  
INING/TELECOMS  
HUMAN RESOURC  
TRES/FINANCIAL  
PHARMA/MANUF  
HEALTHCARE/AR  
PROCUREMENT/H

UCATION/PHARM  
TY/CONTACT CEN  
URING & OPERATI  
ON TECHNOLOGY  
NT/HEALTH & SAF  
NKG/RESOURC  
INSURANCE/ENG  
RESOURCES/LOG  
PUBLIC SERVICES  
RESOURCES & MIN  
ENGINEERING/H  
CONTACT CENTRI  
ES/SOCIAL CARE  
NG/ENERGY/HEA  
OFFICE SUPPORT  
LEGAL/OIL & GAS

## Financial summary

Growth in net fees for the quarter ended 31 March 2015 (Q3 FY15)

(versus the same period last year)

	Growth	
	Actual	LFL <sup>(1)</sup>
By region		
Asia Pacific	5%	<b>9%</b>
Continental Europe & Rest of World	3%	<b>8%</b>
United Kingdom & Ireland	8%	<b>8%</b>
<b>Total</b>	<b>5%</b>	<b>8%</b>
By segment		
Temporary	3%	<b>6%</b>
Permanent	7%	<b>11%</b>
<b>Total</b>	<b>5%</b>	<b>8%</b>

## Highlights

- Good Group net fee growth of 8%<sup>(1)</sup>, against challenging comparatives last year
- Good growth in Asia Pacific, including 7%<sup>(1)</sup> growth in Australia & New Zealand, driven by Perm up 17%<sup>(1)</sup>. Asia delivered further strong growth of 14%<sup>(1)</sup>
- Good broad-based growth in the UK & Ireland, including strong Perm growth of 11%<sup>(1)</sup>, although overall rates of growth slowed modestly as the quarter progressed
- Good growth in Continental Europe & Rest of World, including solid 4%<sup>(1)</sup> growth in Germany and strong 13%<sup>(1)</sup> growth in France, one of 12 countries in the region delivering 10%<sup>(1)</sup> growth or more
- Group consultant headcount was up 3% during the quarter and 11% year-on-year, excluding Veredus
- We currently expect to deliver strong operating profit growth for the full year, with second half operating profits slightly ahead of first half

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

"We have delivered good growth in each of our three regions, led by our Permanent recruitment business. Conditions remained supportive in the majority of our markets and we delivered growth of 10%<sup>(1)</sup> or more in 15 countries including key growth markets such as France, China, Japan and the US. Our Australia business continued to recover, with net fees up 8%<sup>(1)</sup> led by the Permanent business which grew 21%<sup>(1)</sup>, and in the UK growth for the quarter was good against challenging comparatives.

Looking ahead, we continue to see good levels of net fee growth, many clear opportunities remain and we currently expect to deliver strong operating profit growth for the full year, with second half operating profits slightly ahead of first half. Our focus remains on selectively increasing consultant capacity in the many areas where we see opportunities for growth. Simultaneously we will drive continual improvement in business productivity, allowing us to maximise this year's financial result, as well as deliver on our long-term profit and cash objectives."

## Group

In the third quarter ended 31 March 2015 net fees increased 5% on a headline basis and 8% on a like-for-like basis<sup>(1)</sup> against the prior year. The difference between actual and like-for-like net fee growth rates was primarily the result of a material depreciation of both the Euro and the Australian Dollar against Sterling.

Taking into account year-to-date foreign exchange movements in the Group's key operating currencies, and applying spot rates as at 8 April 2015 through the remainder of our year, would reduce our FY14 operating profit result by c.£11 million.

The exit rate of Group net fee growth was c.7%<sup>(1)</sup>, with the Asia Pacific and Continental Europe & RoW rates broadly in line with the quarter as a whole, and the UK & Ireland at c.6%.

Despite the material negative impact of currency moves described above and based on current activity levels around the business, we expect the Group's second half operating profit to be slightly ahead of the first half level of £81.5 million.

The Temp business, which accounted for 59% of Group net fees in the quarter, increased by 6%<sup>(1)</sup> and the underlying temp margin<sup>(2)</sup> was broadly stable. The Perm business increased by 11%<sup>(1)</sup>.

Consultant headcount was up 3% in the quarter and up 11% year-on-year as we invested selectively across the Group where market conditions and outlook were supportive. These numbers exclude the impact of the Veredus acquisition in December 2014 which has added a further 147 consultants, or 3%, to the Group. Having invested in these increases, we expect consultant headcount to be broadly flat for the fourth quarter as we focus on integrating the newer consultants into the business.

## Asia Pacific

In Asia Pacific, which represented 22% of Group net fees, we delivered good growth of 9%<sup>(1)</sup>.

In Australia & New Zealand we delivered good growth of 7%<sup>(1)</sup>, driven by excellent Perm growth of 17%<sup>(1)</sup>. Temp, which represented 64% of net fees in the quarter, increased by 2%<sup>(1)</sup>.

In Australia we delivered good net fee growth of 8%<sup>(1)</sup>, though performances were mixed across different states. Growth in New South Wales was excellent at 28%<sup>(1)</sup>. Queensland and Victoria grew by 2%<sup>(1)</sup> and 4%<sup>(1)</sup> respectively, while Western Australia was down 22%<sup>(1)</sup> as reduced activity in the Resources & Mining sector impacted trading across the state. The remaining smaller states delivered excellent growth.

At the specialism level, Construction & Property, our largest business in Australia, delivered strong growth of 12%<sup>(1)</sup>. Accountancy & Finance increased by 5%<sup>(1)</sup> and IT grew 4%<sup>(1)</sup>, although Resources & Mining declined 34%<sup>(1)</sup>. In New Zealand net fees declined by 4%<sup>(1)</sup>.

In Asia, which accounted for 23% of the division, net fees increased by 14%<sup>(1)</sup>. In Japan, our largest business in Asia, we delivered a record monthly net fee performance in March and over the quarter net fees grew by an excellent 26%<sup>(1)</sup>. Net fees in China grew by 17%<sup>(1)</sup> and in Singapore fees declined 9%<sup>(1)</sup>.

Consultant headcount in the division was up 5% in the quarter and 15% year-on-year. Consultant headcount in Australia & New Zealand was up 3% in the quarter and 11% year-on-year, and in Asia was up 7% in the quarter and 23% year-on-year.

## Continental Europe & Rest of World ('RoW')

In Continental Europe & RoW, our largest division which represented 42% of Group net fees, we delivered good growth of 8%<sup>(1)</sup>. Net fee growth of 4%<sup>(1)</sup> in Germany was solid, with growth in our core IT & Engineering business also 4%<sup>(1)</sup>. Germany Temp net fees increased by 3%<sup>(1)</sup> as decision making in certain client segments continued to be impacted to an extent by uncertainty regarding the future regulations governing Temp and Contractor markets. Perm grew by 6%<sup>(1)</sup> and within our newer specialisms Accountancy & Finance delivered strong growth of 10%<sup>(1)</sup>.

In the rest of the division net fees grew by 12%<sup>(1)</sup>. Within this, 12 countries delivered growth of 10%<sup>(1)</sup> or more, including businesses such as Belgium, the Netherlands, Poland and Spain. France, our second largest business in the division, delivered another strong performance with net fees up 13%<sup>(1)</sup> and broad-based growth across all regions and specialisms. In North America, Canada delivered growth of 1%<sup>(1)</sup> and our business in the US, excluding the Veredus acquisition, increased net fees by an excellent 27%<sup>(1)</sup>. The integration of the Veredus business into the Group continues to proceed well. Elsewhere, Brazil remained challenging, with net fees down 14%<sup>(1)</sup>, whilst the rest of Latin America, particularly Mexico, continued to perform well.

Consultant headcount in the division was up 2% in the quarter and 12% year-on-year, excluding the impact of the Veredus acquisition.

## United Kingdom & Ireland

In the United Kingdom & Ireland, which represented 36% of Group net fees, we delivered good 8%<sup>(1)</sup> growth. After a strong start, growth slowed through the quarter as we overlapped tougher comparatives and the exit rate for the quarter was c.6%.

Our Temp business delivered good growth of 6%<sup>(1)</sup> and Perm delivered strong growth of 11%<sup>(1)</sup>. Activity levels remained broad-based and we delivered strong performances in the North, Midlands, the East and London (ex-City), all of which grew by more than 10%<sup>(1)</sup>, the City of London grew by 8%<sup>(1)</sup>. Net fees in Ireland were down 11%<sup>(1)</sup>.

Growth continued to be strong in our technical specialisms as IT delivered excellent growth of 26%<sup>(1)</sup> and Construction & Property grew by 10%<sup>(1)</sup>. Accountancy & Finance, our largest specialism, delivered good growth of 6%<sup>(1)</sup> and Education, a predominantly public sector business, delivered strong growth of 11%<sup>(1)</sup>.

Our private sector business, which represented 69% of the division's net fees, delivered good growth of 8%<sup>(1)</sup> and overall whilst market conditions remain good, we have seen more cautious decision making amongst certain client and candidate segments as we get closer to the upcoming General Election. To date, this has been most notable in the public sector, which grew by 8%<sup>(1)</sup>.

Consultant headcount in the division was up 4% in the quarter and 9% year-on-year.

## Cash flow and balance sheet

Net debt was broadly flat over the quarter at c.£80 million as of 31 March 2015 (31 December 2014: £79.2 million). We expect net debt to reduce significantly in the final quarter.

(1) LFL (like-for-like) growth represents organic growth at constant currency and excludes the impact of acquisitions.

(2) The underlying Temp gross margin is calculated as Temp net fees divided by Temp gross revenue and relates solely to Temp placements in which Hays generates net fees. This specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third party agencies and arrangements where the Company provides major payroll services.

## Enquiries

### Hays plc

Paul Venables

David Walker

Group Finance Director

Head of Investor Relations

+ 44 (0) 20 7383 2266

+ 44 (0) 20 7383 2266

### Bell Pottinger

Gavin Davis / Elly Williamson

+ 44 (0) 20 3772 2591

## 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 2015. The dial-in details are as follows:

Dial-in number	+44 (0)20 3139 4830
Password	71169248#

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	656056#

## Reporting calendar

Trading Update for quarter ending 30 June 2015	9 July 2015
Preliminary Results for year ending 30 June 2015	27 August 2015
Interim Management Statement for quarter ending 30 September 2015	8 October 2015
Trading Update for quarter ending 31 December 2015	13 January 2016

## Hays Group overview

As at 31 December 2014, Hays had 8,748 employees in 244 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 65% of the Group's net fees, compared with around 25% ten years ago.

Our 5,741 consultants work in a broad range of sectors, with Accountancy & Finance, Construction & Property and IT representing 50% 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 sectoral diversification, the Group's net fees are generated 58% from temporary and 42% 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 contained 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 shall not be placed on any forwardlooking statement. Additionally, forward-looking statements regarding past trends or activities shall 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 forwardlooking statement resulting from new information, future events or otherwise. Nothing in this Report shall 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, advisors 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.