

# TRADING UPDATE QUARTER ENDED 31 DECEMBER 2013

9 January 2014

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LEGAL/OIL & GAS

## Financial summary

Growth in net fees for the quarter ended 31 December 2013 (Q2 FY14)

(versus the same period last year)

	Growth	
	Actual	LFL <sup>(1)</sup>
By region		
Asia Pacific	(18)%	<b>(9)%</b>
Continental Europe & Rest of World	8%	<b>5%</b>
United Kingdom & Ireland	10%	<b>10%</b>
<b>Total</b>	<b>1%</b>	<b>3%</b>
By segment		
Temporary	1%	<b>3%</b>
Permanent	0%	<b>4%</b>
<b>Total</b>	<b>1%</b>	<b>3%</b>

## Highlights

- Solid Group performance with continued improvement in conditions across several markets
- Perm outperformed Temp for the first time since Q4 FY11
- Strong, broad-based growth of 10%<sup>(1)</sup> in UK & Ireland driven by accelerating growth in the private sector, notably in Accounting & Finance and Construction & Property
- Solid growth of 5%<sup>(1)</sup> in Continental Europe & Rest of World with growth of 5%<sup>(1)</sup> in Germany
- Asia Pacific net fees decreased by 9%<sup>(1)</sup>. Australia remained challenging and net fees decreased by 17%<sup>(1)</sup>. Asia delivered excellent net fee growth of 28%<sup>(1)</sup>
- Group consultant headcount was flat during the quarter but increased by 2% year-on-year

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

"This is another encouraging quarter. In the UK, growth accelerated as we saw improved client and candidate confidence and we delivered a strong performance in all regions and specialisms. Around the world, 17 countries grew by more than 10%<sup>(1)</sup> and six countries, including Germany and Japan, achieved record monthly net fee performances in the quarter. We continued to see market conditions improve in several parts of the Group as the quarter progressed, most notably in the UK and Asia.

As ever, activity levels at the start of the New Year will be an important driver of the Group's second half performance. We remain focused on increasing consultant productivity and investing to capitalise on areas of opportunity to deliver further profitable fee growth and a strong cash performance during the second half of our financial year."

## Group

In the second quarter ended 31 December 2013 net fees increased by 1% on a headline basis and by 3% on a like-for-like basis<sup>(1)</sup> against the prior year. Net fees in the Temp business, which accounted for 60% of Group net fees in the quarter, increased by 3%<sup>(1)</sup> and the underlying temp margin<sup>(2)</sup> was broadly stable. Net fees in the Perm business increased by 4%<sup>(1)</sup>, the highest rate of growth for almost two years.

The exit rate of Group net fees was in line with the quarter as a whole.

Group consultant headcount was flat in the quarter but up 2% year-on-year. Through the quarter we continued with our selective investment approach, investing where market conditions and outlook have been supportive, but continuing to focus on tight cost control and maximising consultant productivity around the Group in order to maximise our financial performance.

## Asia Pacific

In Asia Pacific, which represents 24% of Group net fees, net fees decreased by 9%<sup>(1)</sup>.

In Australia & New Zealand net fees decreased by 15%<sup>(1)</sup> within which Temp decreased by 10%<sup>(1)</sup> and Perm decreased by 25%<sup>(1)</sup>. Overall market conditions in Australia remained challenging through the quarter. In New South Wales and Victoria, which together accounted for 51% of our Australian business, net fees decreased by 9%<sup>(1)</sup>, although they remained broadly sequentially stable. In Western Australia and Queensland, which together accounted for 31% of our Australian business, net fees decreased by 24%<sup>(1)</sup> primarily due to continued tough conditions in our Resources & Mining business where net fees were down 49%<sup>(1)</sup> year-on-year and are down 67% from peak levels. In New Zealand, net fees increased by 1%<sup>(1)</sup>.

On a headline basis, net fees in our Australian business decreased by 26%. The difference between this and the like-for-like decrease of 17%<sup>(1)</sup> is the result of the significant movement in the rate of exchange between the Australian Dollar and Sterling during the quarter. Prevailing rates of currency exchange continue to represent a significant sensitivity for the reported performance of our Australian business. As previously disclosed, for each 1 cent movement in the average rate of exchange per annum between the Australian Dollar and Sterling, we estimate an impact on reported net fees of £1.1 million and on reported operating profit of £0.45 million.

Asia, which accounted for 21% of the division, delivered excellent net fee growth of 28%<sup>(1)</sup>. Japan had a record net fee performance in December and delivered excellent net fee growth of 28%<sup>(1)</sup> in the quarter. Singapore, Hong Kong and Malaysia each delivered net fee growth of over 30%<sup>(1)</sup>.

Consultant headcount in the division was down 2% in the quarter and down 1% year-on-year. In Australia & New Zealand, consultant headcount was 4% lower in the quarter and down 7% year-on-year. In contrast, in Asia, consultant headcount was up 4% in the quarter and up 13% year-on-year, reflecting the strength of those markets.

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

In Continental Europe & RoW, our largest division which represents 42% of Group net fees, we delivered solid net fee growth of 5%<sup>(1)</sup>. Germany delivered net fee growth of 5%<sup>(1)</sup>, with notably strong performances in our newer specialisms. Accountancy & Finance was up 29%<sup>(1)</sup> and Construction & Property, Sales & Marketing and Legal all grew by over 10%<sup>(1)</sup>. Net fees in IT and Engineering were up 1%<sup>(1)</sup>. Our perm business, which represented 11% of net fees in Germany, grew by 22%<sup>(1)</sup>.

Net fees increased by 7%<sup>(1)</sup> in the rest of the division, which is primarily a Perm business. Within this, 11 countries delivered net fee growth of 10%<sup>(1)</sup> or more, including record monthly net fee performances in Russia, where net fees increased by 35%<sup>(1)</sup>, Mexico and Chile. In France net fees increased by 3%<sup>(1)</sup>, despite continued difficult market conditions in that country and we saw improved conditions across Southern Europe, notably Spain where net fees increased by 18%<sup>(1)</sup>.

Consultant headcount in the division was up 2% in the quarter but was down 1% year-on-year. During the quarter we opened an office in Winnipeg, our sixth office in Canada.

## United Kingdom & Ireland

In the United Kingdom & Ireland, which represents 34% of the Group, net fees increased by 10%<sup>(1)</sup>, within which net fees in our Perm business increased by 17%<sup>(1)</sup> and net fees in our Temp business increased by 5%<sup>(1)</sup>. We saw continued broad-based improvement in activity levels in all specialisms and regions through the quarter, including the East, London, the Midlands, Northern Ireland, the North West and Scotland, each of which grew by more than 10%<sup>(1)</sup>. Ireland delivered an excellent performance, with net fee growth of 30%<sup>(1)</sup>.

In our private sector business, which represents 70% of divisional net fees, growth accelerated to 8%<sup>(1)</sup>. This was driven by strong growth in our largest specialisms, with net fees in Construction & Property increasing by 21%<sup>(1)</sup> and net fees in Accountancy & Finance increasing by 8%<sup>(1)</sup>. We also saw strong growth in IT and Office Support, both of which also grew by more than 10%<sup>(1)</sup>. Our public sector business delivered another quarter of strong growth, with net fees increasing by 13%<sup>(1)</sup>, with continued strong performance in our Healthcare and Construction & Property businesses, where net fees were up 47%<sup>(1)</sup> and 15%<sup>(1)</sup> respectively.

Consultant headcount in the division was flat in the quarter but is up 9% year-on-year as we invested to capitalise on opportunities in the improved UK market.

## Cash flow and balance sheet

Cash performance in the quarter was good, with net debt at the end of December at c.£105 million (30 September 2013: £97.0 million) following the payment in November of the Group's final dividend of £23.5 million. We expect net debt to reduce in the second half of the financial year.

(1) LFL (like-for-like) growth represents organic growth at constant currency.

(2) 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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## 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 9 January 2014. The dial-in details are as follows:

Dial-in number	+44 (0)20 3139 4830
Password	43895186#

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

Replay dial-in number  
Access code

+44 (0)20 3426 2807  
644966#

## Investor Day 2013

Hays hosted an Investor Day on 7 November 2013. For a replay of the event and a copy of the materials presented on the day, please go to the Investor Day section of our website at [hays.com/investors/investor-day-2013](http://hays.com/investors/investor-day-2013).

## Reporting calendar

Interim Results for the six months ended 31 December 2013	26 February 2014
Interim Management Statement for quarter ending 31 March 2014	10 April 2014
Trading Update for quarter ending 30 June 2014	10 July 2014
Preliminary Results for the year ending 30 June 2014	28 August 2014

## Hays Group overview

Hays has around 8,000 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 69% of the Group's net fees as at 30 June 2013, compared with around 15% just 10 years ago.

Our 5,164 consultants work in a broad range of sectors with no sector specialism representing more than 25% of Group net fees. While Accountancy & Finance, Construction & Property and IT represent 65% 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 60% from temporary and 40% permanent placement markets, and we believe that this balance gives our business model relative resilience in the current environment.

This well diversified business model continues to be a key driver of the Group's financial performance.

Hays operates in the following countries: Australia, Austria, Belgium, Brazil, Canada, Colombia, Chile, China, the Czech Republic, Denmark, France, Germany, Hong Kong, Hungary, India, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Poland, Portugal, Russia, Singapore, Spain, Sweden, Switzerland, UAE, the United Kingdom and the USA.

## Cautionary statement

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