



“We exceeded £1 billion of net fees for the first time, driven by our International businesses which grew 15%.”

CHIEF EXECUTIVE'S REVIEW

Our Chief Executive, Alistair Cox, discusses the Group's performance in 2018 and looks ahead to our areas of focus and development in the future, including our next five-year plan.

Q. How do you feel Hays performed in 2018?

A. Before I talk about our performance, I would like to pay tribute to our Chairman Alan Thomson, who sadly passed away in July 2018. Alan had been our Chairman since November 2010 and was deeply passionate about Hays, helping many people in the organisation reach their full potential. He was instrumental in building a strong Board, one well-equipped to help me drive the business forward. I will greatly miss his guidance, wisdom and humour.

He was a man of integrity and humility, and the best tribute I can pay to Alan is to ensure his values endure in Hays' culture.

Andrew Martin, our new Chairman, was brought onto the board by Alan in 2017 and brings a wealth of experience to help us guide the business forward.

Turning to our performance, I am delighted by our progress through FY18. Net fees grew by 12% and we exceeded £1bn of net fees for the first time, driven by our International businesses which grew 15%. Overall, our International profits grew 16% to £196.4m, setting another new record level.

We delivered £243.4m of operating profit, slightly ahead of market expectations, and our conversion rate improved by 50bps. Cash performance was strong, and we ended the year with £122.9m net cash, enabling the Board to propose a second successive special dividend, of 5.0p per share, on top of a core dividend which itself was up 18%.

This year we moved to a four-division reporting structure, giving greater visibility of our Australia and New Zealand (ANZ) businesses (previously within APAC), and Germany, our largest business, which we report separately for the first time.

Germany grew 16% and we further reinforced our position as the number one player in that market. We opened four new offices and increased our headcount 13%. I remain of the view that Germany is the most exciting recruitment market in the world today, driven by acute skills shortages and the structural opening up of that market to specialist recruitment services.

ANZ had a strong year, driving highly profitable growth at roughly double the market rate – no mean feat given we are faraway the market leader in that important market.

Our RoW businesses were in many ways the stand-out performers, delivering an excellent year with profit up 51%. The investments we have made in these businesses in recent years are now driving strong leverage and real momentum in Asia, the Americas and Europe ex-Germany. We continue to see structural growth in many countries via first-time outsourcing, which gives me great confidence for our future.

Back in the UK, the market remained subdued but stable pending clarification of trading arrangements with the European Union post Brexit. With that challenging backdrop, we delivered a good profit performance, up 13% in a difficult market.

Turning to uses of our cash flow, my first priority is always to re-invest in the business and in 2018 we made significant investments in people, property and infrastructure. We grew headcount by 8% globally, opened seven new offices and materially expanded 20 others. We further enhanced our back- and front-office systems around the world, ensuring we have the infrastructure and capacity to continue to grow in these supportive markets.

However, given our highly cash-generative model, even after these significant investments, we ended the year with net cash of £122.9m.

Therefore, in line with our policy, I am delighted that we are able to propose increasing our core dividend by 18%, and our second special dividend of £72.9m. This takes total dividends proposed and paid for FY18 to £128.4m, up 19% from £108.2m last year.

Q. You have just successfully completed the five-year plan launched in 2013, growing profits by almost 100%, and have set the Group another ambitious profit range for the five years to 2022. Given you have such limited visibility on earnings, how do you ensure such targets are credible?

A. I am very proud of the outcome of our 2013 strategic plan. When we initially set out our goal to broadly double profits by 2018, it's fair to say most commentators were sceptical that a business with only 5-6 weeks of net fee visibility could deliver against such ambitious long-term plans. Remember, we were still in the aftermath of the global commodities collapse, uncertainty surrounding the Euro crisis was fresh in the memory and the Brexit referendum was not yet on the agenda.

Despite all these major uncertainties, we still delivered £243.4m of operating profit in FY18, even in a year of heavy investment. I think that is testament to our deep operational capability in each of our 33 businesses and the granular detail which underpinned our planning.

Every year since 2013, we have reported our key markets of Australia and New Zealand, Germany, UK & Ireland and Rest of World under a 'traffic light' system against our original targets. Not only did we deliver a Group result in line with our original ambitions, but each of our four regions also delivered an outcome within their original range.

RoW delivered an excellent result, above the top-end of its range. ANZ delivered its mid-point. The UK & Ireland, despite the material impact of the Brexit vote on the market, still came in within the targeted range.

In Germany, we delivered a profit towards the bottom-end of our 2013 plan range. However, we took an important strategic decision around 18 months ago to significantly increase investment in Germany, as we see the opportunity to potentially double that business in the next five years. That's an exciting prospect, especially given we see structural growth potential which extends well beyond our 2022 plan. Our investment clearly reduced near-term profits, but I consider that a fair trade-off given the opportunity.

So having delivered on our promises in the original 2013 plan, we will follow the same course in our 2018 plan, which we presented to shareholders and analysts at our Investor Day in November 2017. As with 2013, our aim is to balance profitable growth and investment.

Most of our markets are currently supportive. Assuming this continues, with no significant downturns in our major markets over the plan period, and with excellent structural growth opportunities in many of our markets, it is our aim to broadly double our profits again over the five years to 2022.

In the UK, we have assumed a continued uncertain economic backdrop, with a Brexit transition period beyond March 2019 and a reasonably orderly exit from the European Union.



Our 2022 plan was presented at our Investor Day in London in November 2017.

“Since 2015, our Germany headcount is up over 50%, and we have opened nine new offices as we expand our footprint.”

Q. How would you characterise 2018 financial and operating performance in the context of the 2022 plan?

A. We made a strong start, with net fees and profits slightly ahead of the required CAGR trajectory to hit the 2022 plan. It was always our intention to hit the ground running, with significant initial investment meaning that profit drop-through rates in year one would be at the lower end of where we aim to deliver throughout the plan.

Yet despite these investments, I am pleased we still delivered a 50bps improvement in Group conversion rate to 22.7%, one of the best conversion rates in the industry. Should macro conditions remain similar this year to last, I am optimistic we will see further strong progress in FY19, the second year of our plan.

To reinforce growth, we have spent significant time aligning our management teams around the world to the Group plan, as well as developing local plans.

Needless to say, explaining the story of our potential has brought its own benefits internally, particularly as colleagues see for themselves the career opportunities that will avail to them at Hays.

Q. Aside from financial performance, what were your strategic highlights in 2018? Any ‘low-lights’?

A. Apart from the way our businesses embraced the 2022 plan, we also saw excellent progress with a number of our strategic initiatives around the world.

Having entered the important USA market in the last few years, the team there delivered impressive growth, with net fees up 28% and headcount up 21%. All areas of the business did well, but we saw spectacular growth in newer specialisms.

For example, having opened our Construction specialism in 2014, we grew that by 80% in FY18, delivering \$13m in net fees. We have the opportunity as the global leader in C&P recruitment to build a huge US business, alongside our IT, A&F and Life Sciences businesses there.

We continued to make significant investments in our German business. Since 2015 our headcount is up over 50%, and we have opened nine new offices as we expand our footprint. We also put in place the infrastructure to reinforce our market leadership in what is one of the world’s most attractive markets.

The benefits of market leadership are crystal clear: witness the continued out-performance of our Australian business over many years.

Replicating that position in Germany is important to us and we will not shy away from capitalising on the enormous structural opportunities in this market. We now need strong execution to deliver on these investments, but the opportunities in Germany stretch well beyond 2022, and we will continue to invest accordingly.

The rapid development of the IT industry around the world offers excellent opportunities. Organisations are struggling to find the skills they require across newer technologies being developed such as data science, artificial intelligence or cyber security. We have invested to grow our IT businesses in many countries and this is a sector that I think will be exciting for a long time to come.

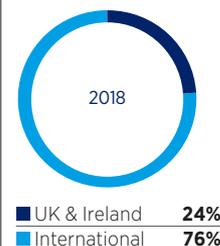
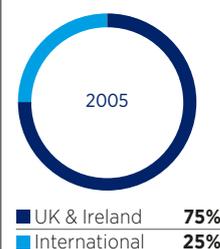
As a result, our IT specialism is now our largest globally, at 21% of global net fees. Given the dynamics of the workforce in this industry, and the propensity for many skilled professionals to work as freelancers or contractors, this also lends itself well to our strategy of building our non-Perm businesses globally. Again, we made great progress in this area and non-Perm now represents c.75% of our IT net fees in our largest markets.

Elsewhere, we continued to invest in new ideas to make our business more effective and productive. Our IT teams developed powerful and proprietary tools focused on business development and candidate management. We brought out new app-based platforms in areas like Education, helping to link schools and teachers.

We built on our collaborations with some of the world’s best organisations, designed to bring their cutting-edge technologies and innovations to bear for the benefit of our clients and candidates. Our partnership with Xing in Germany reached its one-year anniversary in August 2018, and continues to go very well.

Together with our ground-breaking collaborations with Seek in Australia and LinkedIn globally, and more recently with Google as they launch Google Jobs, we are continually looking for ways to get the most accurate and up-to-date data in the industry, and use it to ‘Find & Engage’ with great candidates quicker and better than anyone else.

Net Fee Diversification of the Group





Our Investor Day included a detailed break-out session on our Germany growth strategy.

Last year also saw the introduction of significant new European legislation with GDPR. Preparing our business was a huge task, but one that our Legal and Operational teams coped with admirably. This was the biggest change in data laws for a generation.

However, with the right resources and processes in place, our rigorous approach to GDPR can help to enhance our competitive position in the market.

Finally, while I wouldn't call it a 'low-light', the uncertainty of Brexit negotiations and associated political disruption in the UK makes this a continuing difficult market. That said, I applaud the performance of our UK team, consolidating our market leadership and closely controlling costs.

Longer term, the UK remains a large and important economy to us. Should a sensible EU-exit deal be reached, I am convinced we will be in a strong position to capitalise on any pent-up demand once our clients feel confident again to start investing in their own businesses.

Q. Has there been any change in your assessment of the industry Megatrends?

A. If anything, our enthusiasm for the structural attraction of non-Perm and flexible working has grown. The world of work is changing at a tremendous pace, and in tandem with major shifts in worker demographics and pension needs, the prospects for longer, plural careers are huge.

We are actively positioning Hays to be the trusted partner and advisor to candidates throughout their working lives, helping them navigate between roles as their careers develop.

On the other side of the coin, we are also ideally placed to help our clients plan their own growth, and how they might access resources needed to deliver that. We can help them navigate the increasing complexity of workforces, ensuring they can tap into the talent they need in a way that makes sense for them.

This can be via permanent recruitment, utilising a temporary or contractor workforce or even structuring teams of skilled individuals around specific projects.

Technology is also changing how the recruitment process is delivered and we invest heavily to understand which of the many innovations continually being launched truly add value and seek to incorporate them into our own methodologies, to our clients' and candidates' benefit.

Above all, in a skill-short world, the competition for the best talent is huge and it is our job to help ensure our clients win in that game.

Q. On technology, how do you manage the risk of disruption from new entrants and platforms?

A. Commentators have forecast the disintermediation of recruitment agencies for longer than I've been in the industry. First it was via job boards, then social media platforms and online communities, and latterly aggregators and peer-to-peer platforms.

However, to date, rather than be disrupted, the role of a specialist agency has actually been enhanced. That's because the heart of good recruitment is based on the strength of the relationships formed with clients and candidates and that's a very human thing.

So we see technology and human skills as working hand-in-hand to deliver the best outcome for our clients and candidates. I call that the art and science of successful recruitment, automating whatever we can to free up our expert consultants to do what they do best: advise.

Consequently we invest heavily in technology to ensure our consultants have the best tools available to do their job. But we also invest heavily in our people, so they have the right skills to become trusted advisors to their clients and candidates, and become true experts in their chosen field.

That has allowed us to focus our business on our own proprietary 'Find & Engage' model, where our specialist consultants become highly successful at finding and nurturing skilled talent in their own niche market, knowing that they will then find the right role for each of their candidates.

Having invested to create unrivalled access to these niche candidate pools, we are well positioned to swiftly find the scarce talent that our clients need. I think that is a real differentiator for us, based on the successful integration of human skills, technology and data. That is hard to replicate, and even harder for a machine alone to replace. But clearly the risk of disruption remains, and we will stay vigilant.

“Above all, in a skill-short world the competition for talent is huge, and it is our job to ensure our clients win that race.”

Q. The term “our people are our greatest asset” is often used by companies. Can you give some examples of what it means at Hays?

A. Hays is a business that has people at its heart, and we are hugely proud – and protective – of our culture. We think it’s unique and it sets us apart in our industry. I visited over 15 Hays countries last year, and in each office I visit, the same core values of client service, integrity and passion for the job hold true.

Some of the awards received in FY18 include France being ranked third in the top 500 workplaces nationally, and Germany gaining an Employers Institute ‘Top Employer’ award for a tenth consecutive year. Glassdoor UK placed us in the top 50 of all companies for the fourth year running. And at the Recruitment International awards, Australia won ‘Best Large Recruiter To Work For’.

We don’t achieve these accolades without investment. This year we launched the Hays ‘International Leadership and Management Programme’. I’m delighted with the initial results, and 90 of our senior leaders will attend in its first two years.

Equally, our annual employee engagement survey, which we present in our KPIs, measures satisfaction, sense of belonging and personal motivations. This achieved a record high level of participation of 86% globally, and a high engagement score of 82%.

Key strengths identified from the feedback included supportive line management, high levels of recognition, commitment to development and clear career paths. That suggests to me that we are doing many things right for our people, although there is always room to improve.

Last year we delivered 4,185 training days and I’m proud to say that 3,370 colleagues were promoted. A further 68 transferred internationally, reinforcing our culture while giving them exciting new opportunities globally. Ultimately, we want to keep the best talent within Hays, which is in the interest of our clients, candidates and shareholders.

Q. What keeps you awake at night as a CEO?

A. The biggest risks to our business are geopolitical and macroeconomic in nature. A disorderly exit of the UK from the European Union would likely have a detrimental effect on business investment in the UK, as well as candidate confidence. An upward spiral in trade tariffs across the globe would also be unhelpful. Political disruption anywhere brings uncertainty, weakening investment confidence.

Hardly a day goes by without a news story on cyber threats to businesses. At Hays we take this threat extremely seriously and it occupies a central position at Board level. It is my job as CEO to be ‘professionally paranoid’ around the subject and do everything we can to protect our candidate, client and employee data.

It is a continual battle, but our IT, Legal and Operations teams’ level of engagement gives me great comfort as CEO. However, we can never be complacent.

My main personal challenges are staying apace with innovation and industry developments to ensure we remain highly relevant and the industry leader. I’m also hugely passionate about the development of our people, their motivation and succession planning as this business is based so heavily on the quality of our people. Making sure we have the right internal talent for both today and for the future is a vital part of my job.

Overall then, our core business is in excellent health and the outlook is positive. Last year we helped more than 320,000 people find their next job, and over 30,000 clients find the talent they need to grow. That’s real scale. We view our role in helping people develop their careers and finding highly skilled workers as a core function in society, and it is one we are very proud of.

Looking forward, I expect significant further technological changes and innovation, and plan to embrace these. Change will continue to present us with opportunities, as well as creating risks or threats to our business model. However, we have successfully navigated these in the past. The business is in the best shape I have ever seen it, and we are wholly focused on positioning the Group to capitalise on long-term growth prospects.

Finally, during the year Hays celebrated its 50th anniversary. Reaching that milestone is increasingly rare in today's business world. It was an event I was extremely proud to be a part of and I was privileged to open trading at the London Stock Exchange in June as recognition. It is an honour to lead a business that has grown and evolved so dramatically since our formation in 1968, and one that has helped progress the careers of literally millions of jobseekers worldwide in that time.

Alistair Cox
Chief Executive



Hays management open trading at the London Stock Exchange to celebrate our 50th anniversary.

OUR CASH STRATEGY

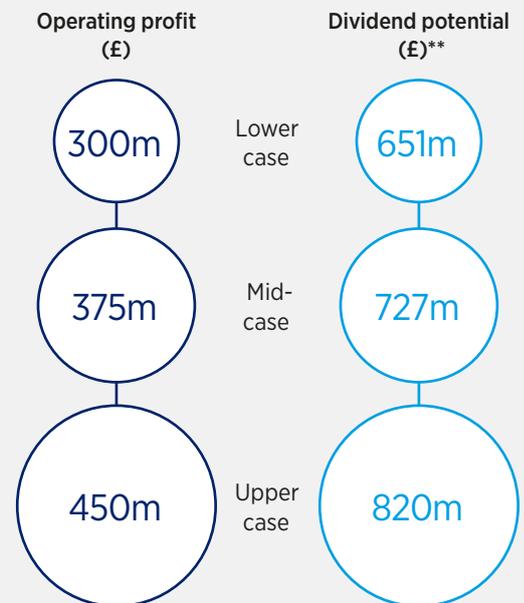
Our aspiration is to build on the momentum of our 2013 plan, driving operating profit in the range £300-450m by 2022.

At our Investor Day in November 2017, we detailed our ambition to deliver operating profit of between £300-450m by 2022, with a mid-point of £375m*.

Our business is highly cash-generative, meaning that if we hit the mid-point of this profit range, we can potentially deliver a cumulative £944m of operating free cash flow.

After taxes, budgeted capex and pension payments, we calculate that £727m could be available for returns to shareholders. In FY18, we have paid and proposed a total of £128.4m in dividends (FY17: £108.3m).

Potential for material returns to shareholders based on achieving our five-year aspirations



* This assumes a continued benign economic backdrop, and a relatively business-friendly exit of the UK from the EU

** Cumulative figure over five years