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**The global pandemic severely impacted all our markets. As it developed, our priority was to look after all our colleagues and to support our clients and candidates as they adjusted to new realities.**

**I am immensely proud of the commitment and innovation shown by all our people.**

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# THE YEAR IN REVIEW, AND THE YEARS AHEAD

Our Chief Executive, Alistair Cox, discusses the Group's performance in FY20 and looks ahead to our areas of focus and development in the future.

**Q. The impact of Covid-19 globally created the most challenging operating environment in living memory. How would you characterise the way Hays responded to the crisis?**

**A.** Covid-19 is a human tragedy that has affected millions of families worldwide. As a Group, our number one priority was and remains the safety of our colleagues, clients and candidates. I am relieved to say that to date very few of our Hays colleagues have contracted the virus, and all have recovered.

As the pandemic enveloped the world, we acted swiftly to implement travel restrictions and self-isolation requirements. Our offices in China were the first to be closed in January, and in those early stages we helped our colleagues there with PPE shipments, and then worked hard to ensure that our remote working capabilities were robust so that our teams could continue to work from home. We learned a lot from this initial phase that stood us in good stead in the months which followed. As lockdowns spread across Asia and then globally, we were able to switch our entire business to remote working virtually overnight. Our business continuity has never been tested to such limits, and great credit is due to our technology teams worldwide who ensured that all our colleagues could continue working and the business functioned fully. The Board and management team are extremely grateful for all the hard work, commitment and innovation they demonstrated.

Throughout the remote working phase, we have continued to achieve a lot. Consultant interactions with clients and candidates have remained very strong. We won some notable new clients in Hays Talent Solutions, our corporate solutions business. We also launched Hays Thrive globally, our unique and free-to-use employee training and wellbeing platform. So far we have had 17,000 client sign-ups, including 5,000 new clients, and

51,000 individuals registering learning accounts. This is a great example of the value and innovation we can bring to our markets, even when circumstances change dramatically. It's all part of our strategy to be lifelong partners to our clients and candidates.

It is in times like these that a company's culture becomes most evident. We have built our culture very deliberately over decades and it has been deeply moving to hear so many success stories and team initiatives which brought colleagues together and helped our clients. One great example was the MyClassroom initiative with AstraZeneca, where we acted as Managed Service Provider for their contingent workers in the UK. To enable their staff to focus on developing a vaccine for Covid-19, we teamed up with AstraZeneca to provide 65 teachers for home schooling of their employees' children. Parents were confident that their children's education was in excellent hands, and could focus on their vital work. At the same time we provided opportunities for skilled educators who had been furloughed. Other examples include working with the Australian Government's medical call centres, the Nightingale Hospitals and several ambulance authorities in the UK, where we have used our expertise to help our front-line organisations find talent and combat the pandemic.

As the scale of disruption to our clients and candidates became apparent, caused by the unique characteristics of lockdowns, we took swift and decisive action to strengthen our balance sheet. This gives us significant protection against economic shocks. We are hugely grateful to our shareholders for their support and commitment in our c.£196 million non pre-emptive equity placing, and we are determined to deliver a strong return on this additional capital. Our balance sheet strength and available debt facilities will allow us to navigate the pandemic, however long the effects may last. We are using it to protect the



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investments we have made in our infrastructure and capabilities, take market share as organisations 'fly to quality' and best position ourselves for the recovery when it comes. We have also undertaken a strategic 'return to growth' review of each division and agreed accelerated investment plans in attractive structural growth markets, such as our IT and large Corporate Accounts businesses. We are confident that these investment projects can accelerate our medium-term growth.

I'd also like to say that governments across the world also deserve credit for the scale and speed of their responses to support businesses and individuals through the Covid-19 pandemic. At year end, 18% of Group employees were either in job support schemes, short-time working arrangements or had voluntarily reduced their pay, including our senior management.

#### **Q. How do you feel Hays performed in 2020, both pre-and-post Covid-19?**

**A.** The macroeconomic backdrop was already deteriorating during FY20, even before the pandemic struck. Many of our markets were weakening, impacted by the general uncertainty in part caused by the trade war between USA and China. Also, events in our first half including the UK general election, a general strike in France and the devastating bushfires in Australia, all dampened growth. The pandemic, and resultant lockdowns which started in our third quarter, dwarfed these events and severely impacted our Q4 trading. Our quarterly net fee sequence through FY20 was 0%, -4%, -7% and -34%. We have never seen such a sharp quarterly deceleration in any of Hays' 52 years.

Considering all the headwinds we faced, I feel our business has stood up to the challenge. Overall in the year, our net fees declined by 11%. Seven of our countries grew fees year-on-year, including six individual country fee records. Operating profit<sup>(1)</sup> declined by 45% to £135.0 million. Despite our fees being down 34% in Q4, our operating profit was broadly breakeven in the quarter through active management of our cost base, while protecting our core business operations and productive capacity. We actively reduced our variable and discretionary costs, and year-end Group headcount decreased by 9% versus the prior year.

Even before the pandemic, we had already started to reduce our cost base to defend short-term profitability in many markets. We restructured several country operations across Europe and especially Germany, incurring a £19.6 million exceptional charge.



This is expected to deliver c.£15 million of annualised pro-rata cost savings. At the same time we continued our strategic investments in key markets such as our IT specialism globally, which demonstrated resilience with fees down only 4% in the year, despite the pandemic effects. We are now one of the world's largest recruiters of IT talent, and it is our largest specialism by some margin, representing 25% of Group net fees. We ended the year with net cash of £366.2 million<sup>(2)</sup>, and our strongest balance sheet ever. Our cash conversion<sup>(3)</sup>, at 183%, was outstanding and our credit control teams deserve major acclaim for producing an all-time record low debtor days in Q4, particularly remarkable given the environment and transition to home working. Given the decrease in fees, our Temp debtor book reduced by c.£100 million in the fourth quarter, increasing our cash position. While this significantly reduces our risk of bad debts, I hope it is a short-term effect as I want to see the Temp book increasing as we return to growth in the future. Again, our balance sheet strength will enable us to fund our re-expansion here.

Turning to each division, Germany is our largest business and fees declined by 13%. Prior to the pandemic, the Automotive sector was already facing major pressures driven by global trade wars, car electrification and the shift away from diesel engines. Its weakness had also begun to spill out to other parts of the economy, resulting in first half fees down 5%. Consequently, we took steps to restructure our German business. This completed in March, just before lockdown, and puts us in a stronger position to benefit from the recovery when it comes.

The lockdown impacted the component parts of our German business in different ways. Contracting, our largest area at 58%

of German fees and which provides freelance workers, was relatively resilient and declined by 9% in the year, including Q4 down 12%. Conversely our Temp business, where we are required to employ workers under German law who are then 'seconded' to our clients, primarily in the Automotive and Manufacturing sectors, was significantly weaker and declined 24% in the year, with Q4 down 72%. A substantial proportion of this decline was due to the under-utilisation of our employed Temps as our clients had to close their operations during lockdown. We took decisive action towards the end of the year to reduce our exposure here. I remain confident there is a significant long-term market for highly skilled Temps in Germany. We are determined to continue to lead that market and I am sure we will emerge strongly once demand becomes more certain. Perm fees decreased by 8%.

Despite the severe economic challenges presented by the pandemic, I believe that Germany remains the most exciting global recruitment market in the long term. This is driven by acute skill shortages, an ageing population and the structural opening of the market to specialist recruitment agencies. As the undisputed market leader in Germany, we are determined to build on our leadership position and generate very significant profits along the way.

Considering the backdrop, I think our Australia & New Zealand division performed well, with fees down 11%. The first half of the year saw fees fall by 4%, in part impacted by the bushfires in December. Activity levels then began to improve prior to the onset of the pandemic. However fees declined by 28% in Q4 as the lockdowns hit, with Temp down 18% and Perm down 52% in the quarter. Sector-wise in Australia, corporate skillsets including Accountancy & Finance were

hardest hit, down 23% in the year. However IT demonstrated its resilience with flat fees, supporting our strategy of investing even further in that business. Again, as long-standing market leaders in Australia, we will use our financial strength to further reinforce that position.

Given we have 28 countries in our RoW division, performance was understandably mixed. The USA was the standout success in the Americas, with fees up 12% in the first half, and up 3% for the year overall, despite the effects of the pandemic. IT represents two thirds of our USA fees, over three quarters of which is in the non-Perm space, and it grew by an impressive 9%.

Asia overall declined by 9% in the year, after increasing 4% in the first half. China is our largest Asian business and following a flat first half, fees fell by 17% over the year as China was the first to be hit by the pandemic. Japan was more resilient, with fees down 2%. I think a special mention is deserved for our team in Malaysia who grew fees by an excellent 28%.

EMEA ex-Germany fees fell by 9% in the year, following flat fees in the first half. In FY20 our largest markets of France, Belgium and Spain declined by 13%, 14% and 15% respectively. However, Switzerland was a standout performer, growing by 5%.

Once the effects of the pandemic pass, what remains exciting about so many of our RoW countries is the sheer scale of structural growth opportunities for first-time outsourcing of recruitment. This gives me great confidence for our future.

Finally in UK&I, fees fell by 14%, including Q4 down 42% as the lockdown had a significant impact. In FY20, Temp fees (down 9%) were more resilient than Perm (down 22%), and the Public sector (down 3%) significantly outperformed the Private sector (down 19%). Although conditions remain very challenging and political uncertainty remains surrounding the post-Brexit landscape, we have identified several 'return to growth' investment initiatives in the UK and are determined to build on our market leadership in that important market.

Overall, we faced hugely difficult conditions and operating environments in all our markets across the Group, but I am pleased at how well our business has faced up to the challenge. Huge credit is due to all our colleagues globally who coped admirably through these exceptional times, delivering good results under the circumstances and displaying true Hays spirit in the way they responded to the challenges they faced.

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

**A.** The lockdown experiences across the globe have proved that remote working can work effectively on a scale never previously imagined. Thus far, remote working has been a necessity for most businesses. However in the future, there are potentially huge benefits of flexible working still to be realised. If anything, I believe this will accelerate the megatrends upon which we base our strategy, and hybrid operating models of home and office working are here to stay.

Our enthusiasm for the structural attraction of non-Perm and flexible working is therefore higher than ever. In tandem with major shifts in worker demographics and financial needs, longer, plural careers are becoming more commonplace.

We are ideally placed to help our clients plan their own growth, and how they might access the resources needed to deliver that. We help them navigate the increasing complexity of workforce and legislative environments, ensuring they access the talent they need, in a way that makes sense for them. This can be via permanent recruitment, utilising a flexible workforce or even structuring teams of skilled individuals around specific projects.

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

Increased digitalisation was an inevitable force before the pandemic, but the pace of change has significantly accelerated. The skillsets that our clients may want in the future may change, but the demand for skilled talent will remain as strong as ever. In that skill-short world, the competition for the best talent is fierce and it is our job to ensure our clients win that race. To achieve that we need two things: unprecedented access to the very best talent everywhere in the world and a unique, strong and long-lasting relationship with those individuals. All of our focus is on delivering these two outcomes so we can find exactly the right person for any given role anywhere and do that quickly and at massive scale globally. That's something our traditional competitors and in-house recruitment teams simply cannot deliver. Our technology and marketing strategies are intertwined to build these enormous and rich talent pools in every single one of our markets. That's why we produce thought leadership pieces like the Hays Global Skills Index, our Equality, Diversity & Inclusion work and our Hays Salary Guides

**Our Technology business generated c.£250 million in net fees in FY20, and represented 25% of Group fees, up from 11% in FY11. We believe powerful megatrends are driving this sector and are excited by the opportunities this creates.**

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- (1) Operating profit is stated before exceptional charges of £39.9 million, as detailed in note 5 to the Consolidated Financial Statements on page 142.
- (2) Net cash of £366.2 million is after deducting tax payments deferred at 30 June 2020 of £118.3 million.
- (3) Cash generated by operations has been adjusted for the cash impact of lease payments of £46.4 million and £118.3 million of deferrals of taxes. Cash conversion is the percentage of operating profit<sup>(1)</sup> converted into cash generated by operations.

Unless otherwise stated all growth rates are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of continuing operations at constant currency.



and distribute these through multiple digital channels to find and engage with millions of talented individuals. That's also why we are building our 'Workspace Platform' to help Temps and Contractors with many of the essential benefits a permanent employer would typically provide, or give specialist advice for freelancers as they seek new opportunities. By providing rich and relevant training and content to help our candidates navigate their own career journey, we build a trusted relationship with them. We can then use our proprietary technology to draw valuable insights from these data, equipping our 6,900 expert consultants with the tools to fill more jobs more quickly. We are already the leader in our industry in understanding how to harness technology, machine learning, automation and combining that with the creative talent of the human brain and we will continue to invest and innovate in this area as it is core to our future success.

Careers are an important part of our lives. How careers are built will change and how individuals access the skills they need or the opportunities they are seeking will change too. I remain of the view that, in time, we will see our white-collar, professional markets, particularly in Flex roles, moving towards a 'Careers as a Service' type-model. If I am correct, Hays is uniquely positioned to help clients and candidates make this shift.

**Q. Thinking about the performance of Hays pre-Covid, what were your strategic highlights in 2020? Any 'low-lights' across the year?**

**A.** Some of the most successful strategic developments in FY20 involved technology, both our own systems and growth in our IT specialism. We are acutely aware that this is a sector from which demand for future jobs will be strong and the pandemic will only accelerate that. Even before the rapid shift to remote working, most organisations were struggling to find the skills they require across newer technologies such as data science, artificial intelligence and cyber security.

These are areas we have been investing in aggressively pre-Covid-19 and we will continue to do so as part of our 'return to growth' plan. It is a highlight that we are now one of the largest recruiters for the technology industry in the world, with annual fees in Technology exceeding £250 million. However there is no reason why our IT business cannot be at least 30% of our Group net fees and we can build local leadership positions in each of our core markets, giving us a runway for growth. Many new roles that don't yet exist will be created, and the sector is a great example of how we can leverage our existing infrastructure and management

teams to turn potential into fees and market leadership on a global basis. This is something our competitors would find very hard to do.

Related to this is another aspect of our Group strategy: building bigger non-Perm businesses in virtually all our markets. In the year, non-Perm represented 59% of our net fees, and this percentage increased to 64% in Q4. Given many skilled professionals choose to work as freelancers or contractors in sectors such as Life Sciences, IT and Engineering, our key technical specialisms fit well with our non-Perm strategy. We have made great progress in this area and non-Perm now represents over 80% of our IT net fees in our largest markets.

We continuously look to find ways to harness technology and data to make our consultants even better at their jobs and fill more roles. I strongly believe in the 'art and science' of recruitment, combining technology and data science with the creativity and human skills embodied in our people. There are no shortcuts to achieving this, though, and looking at our own journey, we have gone through three phases over the last decade. Firstly, putting in place the modern infrastructure we needed to exploit a multi-channel world. Secondly, to utilise that multi-channel world to find and engage with literally millions of people daily. And now, our third phase, to leverage our databases to draw insights to help our consultants make the perfect match, every time and at a pace and scale not seen before.

That's an exciting place to be. In FY20 we further invested in our own market-leading tools, including our 'Hays Hub' recruitment platform, which helps schools find the Temp talent they need quickly and securely, ensuring world-class safeguarding and compliance processes. The Hub is a whole new way of enabling schools to find the teachers they need and it has made an excellent start by adding c.2,000 schools and 4,300 teachers since launch in the UK. Additionally, a further c.2,500 schools are now using our training platform for teachers. I am confident that when UK schools reopen, the Hub will increasingly be an essential tool for both schools and teachers. The Hub has other applications too and we have recently introduced it into the Social Care sector, where early results are extremely positive, as well as introducing it into Australia.

We build a lot of our technology ourselves, owning the intellectual property. However, we also see huge benefit in collaborating with other industry leaders, building their cutting-edge technologies into our own operating systems for the benefit of our clients and candidates.

Our relationship with Stack Overflow progressed well in its second year, and our Xing association reached its third anniversary, continuing to deliver real value. Together with our ground-breaking relationship with LinkedIn, where we now have well over four million followers, we are continually looking for new ways to find and engage with the world's best talent, both to help them further their own careers as well as providing our clients with unprecedented access to the very people they need.

Things I would have liked to have seen done better? Clearly, the massive shock of the pandemic and consequent rapid decline in fees meant we had to reduce costs and that meant some people left Hays. This is always a very difficult decision to make, but when we see demand shocks we must take appropriate steps in order to protect the business as a whole.

**Q. Are the financial targets presented in the 2022 plan still valid?**

**A.** We said at our first half results that the targets remained valid, but that economic weakness meant it would take a couple of years beyond 2022 to achieve. By the end of FY20, and with GDP in our main markets falling at rates unseen in peacetime, the plan as outlined in 2017 is no longer valid.

However, I have always said we look at our long-term plans as a means of conveying the scale of the opportunities and an 'art of the possible' over the medium-to-long term, assuming a stable economic backdrop. They act as a strategic guide for us internally, so we focus ambition and our resources where most appropriate.

As such, once we see sustained green shoots of recovery in our markets, our plan is to conduct an investor day at which we will present our next five-year plan. Back in 2013 we laid out our first five-year plan to double our profits to c.£250 million, which we successfully delivered.

So despite the business having limited visibility, this framework is very effective at articulating the scale of potential profit growth at Hays. In an industry facing such significant structural opportunities and with leadership positions in many of the key global markets, there is every reason to have confidence in our long-term potential.

**Q. What are your 'return to growth' investment projects, and shareholder capital return priorities?**

**A.** As I said earlier, our equity placing in April 2020 and an outstanding cash collection performance in Q4 have put us in our strongest financial position ever. Given the

current highly challenging market conditions, we are still managing our cost base tightly to protect profits. This said, trading stabilised quicker and at a higher level of fees than we expected at the time of the equity placing. Coupled with the outstanding performance of our credit control teams and our existing debt facilities, we have great security against any prolonged effects of the pandemic. We also have flexibility to invest in attractive areas of our business which have the potential to make a material impact on our future results.

Our first priority has always been to re-invest in the business because we and our industry have wonderful long-term growth opportunities, and we aim to capture those on a global scale. Immediately following our equity raise, we initiated a detailed review with each of our divisions to identify investment projects in key strategic areas which will accelerate our return to growth, over and above any cyclical recovery.

Each of our key businesses now has plans which are capable of really 'moving the profit dial' at Group level. I am pleased to say that we have identified over 20 such projects, entirely consistent with our long-term strategy and industry megatrends, across all our regions.

Common themes are further accelerating our largest specialism of IT, which represented 25% of Group net fees in FY20, gaining share of large blue-chip organisations' recruitment spend and accelerating digitalisation across Hays. Our outsourced recruitment services business, Hays Talent Solutions, has been highly effective in recent years in refining its sales strategy, and we are rolling out this key account sales methodology across all our large corporate accounts business.

Overall, we anticipate investing over £20 million in FY21 in operating expenditure and capex, with highly attractive paybacks in the coming years. This level of additional investment will be the greatest since the financial crisis in 2008-09. We will likely then continue to invest in those projects with the greatest positive momentum in FY22.

While seeking to run the business in a net cash position, we also recognise the significance of dividends to our shareholders. The global impact of the pandemic meant the fall in net fees was similar in magnitude to the Global Financial Crisis (GFC); however it occurred in only six weeks versus eight months during the GFC.



The Board therefore took the prudent decision to cancel our interim dividend. With macroeconomic conditions remaining highly uncertain, and with our business trading at only a broadly breakeven level in Q4, the Board concluded it was too early to recommence dividends with a final core payment for FY20.

That said, our business model is highly cash-generative, and we are very clear that distributing excess funds above an appropriate buffer to our shareholders is the right thing to do. We will look to return to paying dividends as soon as is appropriate. For context, we paid c.£374 million in core and special dividends in respect of FY17 to FY19.

#### **Q. Can you give some examples of how Hays' purpose drives better outcomes for our stakeholders?**

**A.** Our purpose is built around bringing opportunities to people and helping them improve their lives is why we exist. Being lifelong partners to millions of people and thousands of organisations also helps ensure our business and services are sustainable and enduring.

This year, we decided to focus all our charitable activities within Hays on projects which support our Purpose. One example is End Youth Homelessness (EYH), and staff from Hays UK offices raised over £70,000 for EYH's Employability Fund. This will help 80 young people into employment, education and training pathways.



But we can only do this if all our people are focused on doing the right thing, which is one of our key values. I am therefore excited that in FY20 Hays endorsed the United Nations Sustainable Development Goals (UN SDGs). The UN SDGs call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

We have initially chosen to focus on two of the goals – Decent Work and Economic Growth, and Gender Equality.

As a business which exists to help people further their careers and fulfil their potential, the goal of Decent Work already sits very close to Hays' purpose. Over the last four years we have helped over one million people worldwide to secure their next job. Think about that statistic for a moment – one million lives positively impacted. That's something all of us at Hays are incredibly proud of. It helps the individual, their employer and society in general. That's the reason we do what we do.

And as a part of this strategy we have introduced more initiatives, including Hays Thrive, our free-to-use training and wellbeing portal which I mentioned earlier, bringing greater help to millions more people as they seek to get on in life.

This year we also launched #HaysHelps to support employees to take up volunteering opportunities. The scheme allows employees across Hays UK&I to take one day of paid leave to volunteer for a charitable cause.

Equality in all its forms – whether it be race, gender, sexuality, physical ability, age or anything else – is core to building a sustainable society. Responsible companies should have Equality, Diversity & Inclusion (ED&I) at their heart, and it's absolutely correct that the subject has obtained far greater prominence in recent years. We have many successful regional programmes in place which drive and promote these themes and in FY20 we created an ED&I Council within Hays to globalise our efforts. I look forward to reporting material progress.

An external example of our ED&I work is with Hays Australia partnering with National Australia Bank (NAB) to deliver workshops as part of their African Australian Inclusion Program. Due to Covid-19, the Hays team delivered their "How to get a job in 2020" discussion online via Zoom. The participants often face substantial barriers when trying to obtain jobs. The majority of participants secure employment within NAB, however those who do not are introduced to a Hays consultant, who provides them with insights into markets aligned with their skillsets.

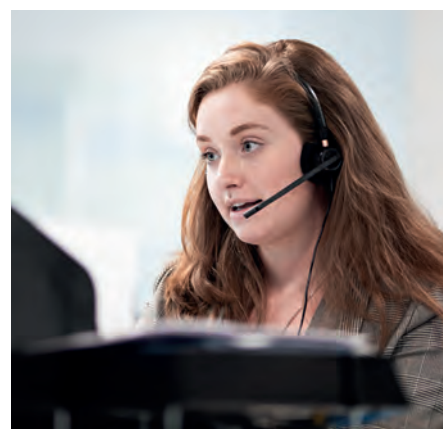
### Q. On technology, has the risk of disruption from new entrants and platforms changed?

A. There is no doubt that the pandemic has accelerated the digitalisation of many industries, ours included. All businesses are asking how they need to adapt their business models to this new reality. The winners will be those who find a way of delivering the services their markets need in a way that best suits their customers, not which best suits themselves. Our task is to build on what we already have, make it ever better and more relevant, try new things and learn in the process. We start from the advantage of being profitable, financially strong and with a brand, team and infrastructure second to none in our industry.

Commentators have forecast the dis-intermediation of recruitment agencies 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 hiring platforms. While the advent of technology may have made it easier to apply for multiple roles as a candidate, it has not made it easier for organisations to sift through vast volumes of applications to find exactly the talent they are looking for. The heart of good recruitment is based on the strength of the relationships formed with clients and candidates and the advice provided to each, which is a very human thing. I firmly believe that the prize for adding real human value in a digital world is immense.

Software companies seeking to solve all problems with an algorithm cannot do this alone, and human-only businesses miss out on what technology can augment in their people. Hays balances the best of both worlds – we train our consultants to be the best in the industry and we truly value the importance of the human touch. Equally, we have never been in a better place in terms of data and technology. However, there is no room for complacency and we are constantly vigilant to technological change as our world continues to evolve.

We have invested heavily in technology throughout my 13 years as CEO because I firmly believe that our consultants should have the best tools available to do their job. But we also invest in our people, and will continue to do so. They are the trusted advisors to their clients and candidates and true experts in their chosen field. That requires investment by them as well as by our company. But that makes us unique and best positioned to win both against potential disruptors as well as traditional recruiters.





There are no shortcuts to achieving this position. We've been working on this over my entire tenure and there's still lots to do. But that puts us in a clear lead while others plan their own journey.

### **Q. How is Hays' culture helping the business to navigate the new era of work?**

**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. Client service, integrity, passion and doing the right thing hold true in each of our 266 offices. We aim to live these values every day, and help guide us through whatever challenges our world throws at us.

Of course, an organisation's true personality becomes apparent when it is under stress. The last few months have been a huge test in so many ways, but I am incredibly proud of how our people rallied to the common cause and stood tall in the face of challenges they have never faced before. Our IT colleagues worked tirelessly to deliver remote working capabilities worldwide overnight, with no loss of operating performance. Our consultants reached out to their clients and candidates, delivering greater levels of activity and interactions than pre-Covid. Our credit control teams have reduced our debtor days to record low levels. Our business has stood by our clients, many of whom have faced their own problems and helped them through. As a result, we have taken market share as organisations see that we are there for them in bad times as well as good.

Morale has also been significantly tested through the global lockdowns, but emerged strongly. We have sought to ensure that every single one of us feels connected, informed, reassured and supported. We have taken difficult decisions to protect the business, but we have been consistently open about that challenge and sought to do the right things at each point in time as our world unfolded before us. We have also learned a huge amount, including how to introduce greater flexibility into our day-to-day working schedules. Necessity truly is the mother of invention, and the exceptionally challenging circumstances of the last few months have reminded me of how deep that inventive spirit runs in Hays, and how resourceful we really are in problem solving and finding new opportunities. As we now enter a new phase of returning to a more office-based environment, we will reflect on those lessons and permanently adjust the way we work to make our business even better for our people as well as our customers.

It's also reassuring to see our efforts recognised in the public eye, winning numerous awards throughout the year. Hays France ranked 8th across all sectors in the 'Great Places to Work' survey. Hays China was named Best Workplace and Best Workplace for Women and we are proud to be ranked as one of the Best Workplaces in Asia by Great Place to Work. Hays Germany retained an Employers Institute 'Top Employer' award for the 12th consecutive year, and our Austria and Switzerland businesses also earned the 'Top employer' status. Hays UK entered the top 10 of all graduate employers by TheJobCrowd and are shortlisted for the Sustainable Recruitment Agency of the year award. Hays Australia was named in Australian Financial Review's Top 100 businesses for the third consecutive year.

We don't achieve these accolades without hard work. I'm extremely proud of the success we have had from the Hays 'International Leadership and Management Programme' (ILMP), now in its third year, and designed to further equip our senior people to lead successful businesses in an increasingly complex world of work. We will protect this material investment in our future leaders despite the challenges of Covid-19 as it is all about securing our long-term future. To date, over 100 of our global leaders have completed the programme and it will continue in FY21.

Our training for new Associates and Managers continues to be industry-leading. We maintained total classroom and on-the-job training time at c.20% of each Associate's first year, with Managers receiving on average 12 days of annual training. I am proud to say that 3,721 colleagues were promoted in FY20, up from 3,497 in FY19, and 69 people transferred internationally within Hays, reinforcing our global culture and giving them new opportunities overseas.

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

**A.** For the foreseeable future, I can see the economic and political landscape being dominated by the pandemic and the collective ability of humanity to combat it. 'Unprecedented' is a much-overused term, but we are in completely uncharted economic territory, and the range of potential outcomes over the next few years is bigger than at any point in my life. Our decisive action to raise equity in April 2020 means we have the strongest balance sheet we have ever had, so I feel we can now focus on tackling whatever the pandemic presents, good or bad. Our financial strength also allows us to pursue our ambitious 'return to growth' initiatives, which will put us on the front foot

for the cyclical recovery when it comes. Ultimately, though, while we are doing our utmost to self-help, we need a degree of economic confidence to return to our markets in order to deliver strong overall growth.

The acceleration in digitalisation, in part due to the pandemic, means that cyber threats remain acute. 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, ensuring we remain highly relevant and the industry leader. 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 and I see no reason why we will fail in the future.

Our business is heavily based on the quality of our people. I'm deeply passionate about their development, motivation and our succession planning. Making sure we have the right internal talent for both today and for the future is a vital part of my job.

Overall, despite the uncertainties we face, our business is well-positioned to take market share, benefit from structural megatrends and embrace the cyclical recovery when it comes. Last year we helped more than 300,000 people find their next job, and over 40,000 clients find the talent they need to grow. That's massive scale on a global stage. We view our role in helping people develop their careers and finding highly skilled workers as a core function in society. After our family, our career is amongst the most important areas of our life. Helping organisations find the best talent, and people achieve success in their career, is a hugely important thing and I am honoured and privileged to be involved.

**Alistair Cox**  
Chief Executive



“

**Despite FY20 being a very tough year, we ended the year with our strongest balance sheet ever. Our financial strength underpins our strategy.**

”

**Paul Venables**

Group Finance Director,  
Hays plc



## FINANCE DIRECTOR'S REVIEW

### Financial overview

The year was characterised by tough conditions globally in H1, which deteriorated rapidly and significantly due to the Covid-19 pandemic in H2. Our turnover declined 1% and net fees<sup>(2)</sup> fell 11%. Operating profit<sup>(3)</sup> fell 45% to £135.0 million. This represented a Group conversion rate<sup>(4)</sup> of 13.6% (FY19: 22.0%). All operating profit was generated in the first nine months of the year, with the fourth quarter broadly breakeven before restructuring costs<sup>(3)</sup>.

When the pandemic hit, we took appropriate action to manage our costs, while protecting our core business operations. Overall, our cost base was reduced by c.20%, or c.£15 million per period, between February and June 2020, as we actively reduced our variable and discretionary costs. In the year

our cost base benefited by c.£8million from job support schemes globally. Given the difficult environment, the Executive Directors agreed that no FY20 bonuses will be paid to them, or members of the Management Board.

Our cash performance was strong, and we ended the year with net cash of £366.2 million, excluding £118.3 million of short-term deferrals of tax payments. We converted 183%<sup>(8)</sup> of operating profit<sup>(3)</sup> into operating cash flow<sup>(5)</sup>, driven by excellent credit control and a partial unwind of our Temp debtor book. Our financial strength was further reinforced by the equity placing we conducted in April, which raised c.£196 million of net proceeds and we are very grateful for the support of our largest shareholders. This capital raising ensures we have a strong balance sheet and provides the Group with a significant liquidity buffer.

Decrease in Group  
net fee income

**(11)%**

FY19: +6%

Conversion rate<sup>(4)</sup> of Group  
net fees into operating profit<sup>(3)</sup>

**13.6%**

FY19: 22.0%

Decrease in operating profit<sup>(3)</sup>

**(45)%**

FY19: +4%

Group consultant headcount  
down 11% year-on-year

**6,900**

FY19: 7,782

Year-end net cash<sup>(7)</sup>

**£366.2m**

FY19: £137.9m

(1) Net fees of £996.2 million (FY19: £1,129.7 million) are reconciled to statutory turnover of £5,929.5 million (FY19: £6,070.5 million) in note 6 to the Consolidated Financial Statements.

(2) Net fees comprise Turnover less remuneration of temporary workers and other recruitment agencies.

(3) FY20 operating profit and basic EPS are presented before exceptional costs of £39.9 million, comprising £20.3 million relating to the partial impairment of goodwill in the US business, and £19.6 million relating to restructuring charges, primarily in our German business. There were £15.1 million of exceptional charges in the prior year.

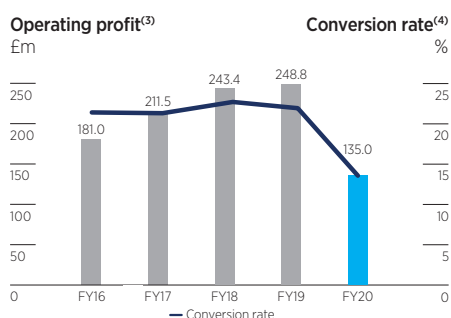
(4) Conversion rate is the proportion of net fees converted into pre-exceptional operating profit.

## Operating performance

Year ended 30 June (£m)	2020	2019	Actual growth	LFL growth
Turnover <sup>(1)</sup>	<b>5,929.5</b>	6,070.5	(2)%	(1)%
Net fees <sup>(2)</sup>	<b>996.2</b>	1,129.7	(12)%	(11)%
Operating profit <sup>(3)</sup>	<b>135.0</b>	248.8	(46)%	(45)%
Cash generated by operations <sup>(5)</sup>	<b>247.4</b>	263.0	(6)%	
Profit before tax	<b>86.3</b>	231.2	(63)%	
Profit before tax (before exceptional items)	<b>126.2</b>	246.3	(49)%	
Basic earnings per share	<b>3.14p</b>	11.10p	(72)%	
Basic earnings per share (before exceptional items)	<b>5.28p</b>	11.92p	(56)%	
Core dividend per share	<b>0.0p</b>	3.97p	-	
Special dividend per share	<b>0.0p</b>	5.43p	-	

Note: unless otherwise stated all growth rates discussed in the Finance Director's Review are LFL (like-for-like) year-on-year net fees and profits, representing organic growth of operations at constant currency.

Alongside the equity raise in April, the Board prudently cancelled our interim dividend. Given the high level of macroeconomic uncertainty resulting from the pandemic, plus the fact that Q4 trading was broadly at a breakeven level, the Board is not proposing a final dividend for FY20. We remain acutely aware of the importance of dividends to our shareholders and aim to restore dividend payments as soon as is appropriate.



## Foreign exchange

Overall, net currency movements versus Sterling negatively impacted results in the year, reducing net fees by £6.6 million, and operating profit<sup>(3)</sup> by £2.7 million.

Fluctuations in the rates of the Group's key operating currencies versus Sterling continue to represent a significant sensitivity for the reported performance of our business. By way of illustration, each 1 cent movement in annual exchange rates of the Australian Dollar and Euro impacts net fees by £0.9 million and

£3.5 million respectively per annum, and operating profit by £0.3 million and £0.7 million respectively per annum.

The rate of exchange between the Australian Dollar and Sterling over the year ended 30 June 2020 averaged AUD 1.8799 and closed at AUD 1.7970. As at 25 August 2020 the rate stood at AUD 1.8298. The rate of exchange between the Euro and Sterling over the year ended 30 June 2020 averaged €1.1402 and closed at €1.1044. As at 25 August 2020 the rate stood at €1.1115.

The impact of these movements in exchange rates means that if we retranslate the Group's full-year operating profit<sup>(3)</sup> of £135.0 million at current exchange rates, the actual reported result would increase by c.£4 million to c.£139 million.

## Temp fees more resilient than Perm

Net fees in Temp, which includes our Contracting business and represented 59% of Group fees, decreased by 9%. This comprised a volume decrease of 6% and a decrease in underlying Temp margins<sup>(6)</sup> of 70bps to 14.7% (2019: 15.4%), partially offset by an hours/mix gain of 2%. The Temp margin decrease was in part due to under-utilisation of employed Temps in Germany during the pandemic, plus a reduction in underlying ANZ and Germany Temp margins. Partially offsetting this, we saw a 2% increase in salary mix, mainly driven by relative strength in our IT specialism globally, which has a higher average salary than the Group as a whole.

Net fees in Perm decreased by 15%, with volumes down 18% and our average Perm net fee up 3%. Regionally, ANZ Perm fees decreased by 20%, Germany fell by 8%, UK&I was down 22% and RoW fell by 12%.

## Movements in consultant headcount

Group consultant headcount at 30 June 2020, which includes employees in job support and furlough schemes, stood at 6,900, down 11% year-on-year and down 12% in H2. Total Group headcount declined by 9%. At year end, c.18% of Group employees were either in job support schemes, short-time working arrangements or had voluntarily reduced their pay, including senior management.

## Current trading

Overall, the outlook remains tough across our main markets. Temp markets are stable overall, with modest improvement in Perm.

We have experienced a high degree of correlation between individual countries' trading and the severity of lockdown in that country. Any 'second wave' lockdowns may have short-term negative effects on activity levels, and potentially delay country recoveries.

Our strategic 'Return to Growth' programme has identified accelerated investment projects across each of our divisions in attractive structural growth markets, including IT and large Corporate Accounts. We expect to invest c.£15 million of incremental operating expenditure in these projects in FY21, of which c.£5 million will be in H1. In addition, we expect to invest c.£7 million in capex to support these projects, which is included in our Group capex guidance of c.£25 million.

We expect Group headcount at the end of Q1 FY21 to be down versus 30 June 2020, due to non-replacement of leavers and a lower than usual graduate intake.

Exchange rate movements, notably the Australian Dollar and the Euro, remain a material sensitivity to our reported financial performance.

## Australia & New Zealand

Our business has been stable since mid-April, and we began to see initial signs of modest improvement in activity in July, particularly in Perm. It is too early to quantify the negative impact on overall business activity and sentiment from the recent lockdown in Victoria, and how long this will last.

(5) FY20 cash generated by operations has been adjusted for the cash impact of lease payments of £46.4 million and £118.3 million of deferrals of tax and VAT.

(6) 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 and specifically excludes transactions in which Hays acts as agent on behalf of workers supplied by third-party agencies and arrangements where the Group provides major payroll services.

(7) Year-end net cash excludes £118.3 million of deferred tax payments.

(8) Operating cash conversion represents the conversion of pre-exceptional operating profit to cash generated from operations.

## Germany

Overall fees are stable. Activity in Contracting is stable, and we have seen a marginally better renewal rate on June-ending assignments than normal. Temps on assignment volumes are broadly stable, however we continue to see some negative impact from under-utilisation of our Temp workers, albeit at an improving level versus Q4 FY20. We expect some Temp under-utilisation to continue across H1 FY21.

## United Kingdom & Ireland

Overall our business is stable at low levels. We are seeing early signs of improvement in Perm activity.

## Rest of World

Overall, we are starting to see some modest signs of recovery. Fees in EMEA ex-Germany are broadly stable on a seasonally adjusted basis, with signs of some modest positive momentum. In Asia and the Americas our businesses are stable.

## IFRS 16

IFRS 16 Leases became effective for the Group on 1 July 2019, and the Group is reporting under this new standard for the first time. The Group has applied the modified retrospective approach whereby the right-of-use asset at the date of initial application was measured at an amount equal to the lease liability, with no restatement to prior years. On adoption, the Group's right-of-use assets increased by £238.1 million, net of £7.7 million IAS 17 adjustments, while lease liabilities increased by £245.8 million. Operating lease rental charges for leases accounted for under IFRS 16, which are almost entirely property-related, were replaced by a £45.5 million depreciation charge and £5.3 million lease interest charge.

Adopting IFRS 16 resulted in a decrease in the Group underlying profit before tax in FY20 of £3.4 million, i.e. not material to overall Group profit levels, and had no impact on cash. This comprised a benefit to Group operating profit of £1.9 million, offset at the profit before tax level by £5.3 million of non-cash lease liabilities interest charge, discussed further below.

## Net finance charge

The net finance charge for the year was £8.8 million (2019: £2.5 million). The average interest rate on gross debt during the period was 1.8% (2019: 2.0%), generating net bank interest payable including amortisation of arrangement fees of £1.1 million (2019: £1.7 million). The non-cash interest charge on lease liabilities under IFRS 16 was £5.3 million (2019: N/A) and the non-cash net interest

charge on defined benefit pension scheme obligations was £1.9 million (2019: £0.5 million). The Pension Protection Fund levy was £0.2 million (2019: £0.2 million).

We expect the net finance charge for FY21 to be around £8.5 million, in line with FY20.

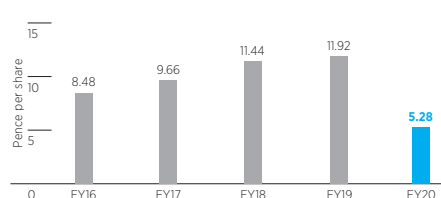
## Taxation

Taxation for the year on profit before exceptional items was £46.2 million (2019: £72.7 million), representing an effective tax rate of 36.6% (2019: 29.5%). The tax charge on total profits including exceptional items was £38.8 million, representing an effective tax rate of 45.0%. The increase in the effective tax rate reflects the Group's geographical mix of profits, the impact of trading losses in certain countries, and the write down of the UK deferred tax asset. At this stage it is not possible to forecast the Group's effective tax rate for FY21.

## Earnings per share

Basic earnings per share before exceptional items decreased by 56% to 5.28 pence (2019: 11.92 pence), reflecting the Group's lower operating profit<sup>(3)</sup> given the significant negative trading impact of the pandemic, higher net finance charge and higher effective tax rate. Basic earnings per share after exceptional items decreased by 72% to 3.14 pence (2019: 11.10 pence).

### Earnings per share<sup>(3)</sup> p

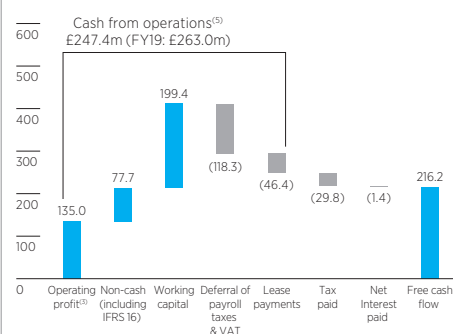


## Cash flow and balance sheet

Underlying cash performance was strong with 183% conversion of operating profit<sup>(3)</sup> into operating cash flow<sup>(5)</sup> (2019: 106%). This was a result of continued strong cash generation, including a c.£100 million inflow in the fourth quarter due to the partial unwind of the Temp trade debtor book and a very strong performance by our credit control teams globally. Average trade debtor days decreased to 36 days (2019: 39 days).

Capital expenditure was £25.8 million (2019: £33.0 million), with continued investments in cyber security, our front office systems in Germany and automation of our German and North Americas back-office systems. We expect capital expenditure to be c.£25 million for FY21, including c.£7 million to support our 'Return to Growth' projects.

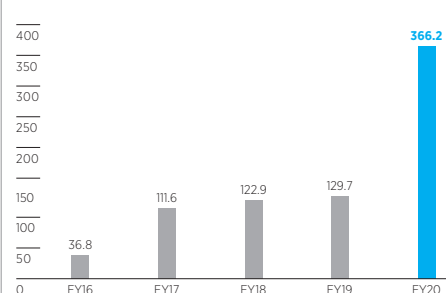
### Operating profit<sup>(3)</sup> to free cash flow £m



Dividends paid in the year totalled £121.6 million (2019: £129.1 million) and pension deficit contributions were £16.1 million. Net interest paid was £1.4 million, including a £0.2 million arrangement fee on our extended debt facility, and corporation tax payments were £29.8 million (2019: £75.5 million).

We ended the year with the strongest balance sheet we have ever had, including a net cash position of £366.2 million (or £484.5 million including short-term deferrals of payroll tax and VAT payments).

### Closing net cash/(net debt)<sup>(7)</sup> £m



## Retirement benefits

The Group's pension position under IAS 19 at 30 June 2020 has resulted in a surplus of £55.2 million, compared to a surplus of £19.7 million at 30 June 2019. The increase in surplus of £35.5 million was primarily due to increases in scheme asset values and Company contributions, partially offset by a change in financial assumptions driven by a reduction in the discount rate.

In respect of IFRIC 14, the Schemes Definitive Deed and Rules is considered to provide Hays with an unconditional right to a refund of surplus assets and therefore the recognition of a net defined benefit scheme asset is not restricted. Agreements to make funding contributions do not give rise to any additional liabilities in respect of the scheme.

During the year the Company contributed £15.7 million of cash to the defined benefit scheme (2019: £15.3 million), in line with the agreed actuarial deficit recovery plan. The 2018 triennial valuation quantified the

actuarial deficit at £43.6 million on a Technical Provisions (TP) basis and the recovery plan comprises an annual payment of £15.3 million from July 2018, with a fixed 3% uplift per year, over a period of just under six years. The scheme was closed to new entrants in 2001 and to future accrual in June 2012.

### Exceptional charge

During the year, the Group incurred an exceptional charge of £39.9 million (2019: £15.1 million) in relation to the following items.

In January 2020, the Group undertook a restructure of its business operations in Germany to provide a greater focus and alignment to the mid-sized enterprises known as the Mittelstand, together with a dedicated large Corporate Accounts division, at a cost of £12.6 million. Following the subsequent global Covid-19 pandemic, and the immediate reduction in demand for recruitment services, the business operations of several other countries across the Group were restructured, primarily to reduce operating costs. The restructuring exercise led to the redundancy of a number of employees, particularly senior management positions, and incurred costs of £7.0 million. The cash impact from the restructuring exceptional charge as at the balance sheet date was £8.1 million, with a further £11.5 million cash outflow expected during FY21.

Additionally, goodwill impairment reviews were performed at the year end by comparing the carrying value of goodwill with the recoverable amounts of the Group's 'Cash Generating Units' (CGUs), to which goodwill has been allocated. Before impairment testing, the carrying value in respect of the US business, which is part of the Rest of World segment, was £43.4 million. The US business had been performing in line with expectations up until the Covid-19 pandemic but as disclosed in previous years, the business had limited headroom on the carrying value of goodwill. The Group's priority is to continue to make investments in the US business in order to accelerate growth in line with the Group's long-term strategy to build a strong presence in the US in order to maximise the long-term growth opportunities available in the market. Because of this ongoing investment, against a difficult market backdrop, management have revised the cash flow forecast for the US CGU and as a result have reduced its carrying value through the recognition of an exceptional impairment loss against goodwill of £20.3 million. The recoverable amount is considered to be in line with its value-in-use which is considered higher than its fair value less cost of disposal.

### Capital structure and dividend

On 2 April 2020, we announced that alongside our c.£196 million equity raise the Board had prudently cancelled our interim dividend. Given the high level of macroeconomic uncertainty resulting from the pandemic, and the fact we traded at breakeven profitability in Q4, the Board is not proposing a final dividend for FY20.

The Group's long-term priorities for free cash flow are to fund investment and development, maintain a strong balance sheet and, when appropriate, pay a sustainable core dividend. We remain acutely aware of the importance of dividends to our shareholders and aim to restore dividend payments as soon as is appropriate.

Our business model remains highly cash generative, and as demonstrated in recent years we have a track record of returning capital to shareholders, with c.£374 million in core and special dividends paid in respect of FY17 to FY19. When conditions improve, the Board will consider how best to reinstate our capital returns policy.

### Treasury management

The Group's operations are financed by retained earnings and bank borrowings. The Group has in place a £210 million revolving credit facility. Under the terms of the original agreement, the maturity date of November 2023 could be extended subject to lender agreement. Having submitted the extension request, the Group facility now has an amended maturity date of November 2024, with an option to extend for a further year subject to lender agreement. This provides considerable headroom versus current and future Group funding requirements.

The covenants within the facility require the Group's interest cover ratio to be at least 4:1 (ratio as at 30 June 2020: 151:1) and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1 (as at 30 June 2020 the Group held a net cash position). The interest rate of the facility is on a ratchet mechanism with a margin payable over LIBOR in the range 0.70% to 1.50%.

During Q4 FY20, we were admitted into the Bank of England's uncommitted Covid Corporate Financing Facility (CCFF). While this provides access to an additional short-term form of financing up to £600 million, based on current forecasts we are highly unlikely to utilise this facility. This is in addition to our revolving credit facility.

The Group's UK-based Treasury function manages the Group's currency and interest rate risks in accordance with policies and procedures set by the Board and is responsible for day-to-day cash management; the arrangement of external borrowing facilities; and the investment of surplus funds. The Treasury function does not engage in speculative transactions and does not operate as a profit centre, and the Group does not hold or use derivative financial instruments for speculative purposes.

The Group's cash management policy is to minimise interest payments by closely managing Group cash balances and external borrowings. Euro-denominated cash positions are managed centrally using a cash concentration arrangement which enhances liquidity by utilising participating country bank balances on a daily basis. Any Group surplus balance is used to repay any maturing loans under the Group's revolving credit facility or is invested in overnight money market deposits. As the Group holds a Sterling-denominated debt facility and generates significant foreign currency cash flows, the Board considers it appropriate in certain cases to use derivative financial instruments as part of its day-to-day cash management. The Group does not use derivatives to hedge balance sheet and income statement translation exposure.

The Group is exposed to interest rate risk on floating rate bank loans and overdrafts. It is the Group's policy to limit its exposure to interest rates by selectively hedging interest rate risk using derivative financial instruments. However, there were no interest rate swaps held by the Group during the current or prior year. Counterparty credit risk arises primarily from the investment of surplus funds. Risks are closely monitored using credit ratings assigned to financial institutions by international credit rating agencies. The Group restricts transactions to banks that have an acceptable credit profile and limits its exposure to each institution accordingly.

### Paul Venables

Group Finance Director  
26 August 2020