

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2023

14 April 2023



Financial summary

Growth in net fees for the quarter ended 31 March 2023 (Q3 FY23)
(versus the same period last year)

	Growth	
	Actual	LFL
By division:		
Germany	30%	23%
United Kingdom & Ireland (UK&I)	(2)%	(2)%
Australia & New Zealand (ANZ)	(4)%	(8)%
Rest of World (RoW)	8%	2%
Total	10%	5%
By segment:		
Temporary	16%	11%
Permanent	2%	(2)%
Total	10%	5%

Note: unless otherwise stated, all growth rates discussed in this statement are LFL (like-for-like) fees, representing year-on-year organic growth of continuing operations at constant currency.

Highlights

- Record fees up 5%. Strong growth in Temp, up 11%, with Perm down 2% as placement volumes reduced through the quarter, driven by reduced client and candidate confidence. Group fee growth exit rate of 4%, with March delivering record monthly fees
- Germany:** record fees up 23%. Temp & Contracting up 25%, driven by volume growth and positive pricing. Perm up 13%
- UK & Ireland (UK&I):** fees down 2%. Temp up 3%, and Perm down 8%, as activity levels slowed through the quarter
- Australia & New Zealand (ANZ):** fees down 8%. Reduced activity in Temp, down 9% and driven by 13% lower volumes, with Perm down 7%
- Rest of World (RoW):** fees up 2%, with six country records. Growth led by EMEA ex-Germany, up 11%. Asia decreased by 4%, with China continuing to be impacted by the pandemic. The Americas was also challenging, down 15%
- Group consultant headcount down 2% in the quarter and up 4% YoY. We expect overall headcount will be broadly flat in Q4 as we continue to focus on driving productivity
- Net cash position of c.£80 million (31 December 2022: £101.4 million), in line with our expectations and after purchasing c.£12 million under our share buyback programme in Q3
- We expect H2 FY23 operating profit and conversion rate will be modestly above H1 FY23, assuming overall activity levels remain stable in our fourth quarter

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

"We delivered record Group fees in the quarter, despite increased macroeconomic uncertainties. Growth was driven by Temp & Contracting, our largest business and a key strategic focus, as employers shifted their hiring patterns towards more flexible labour, and Perm hiring processes continued to lengthen. Germany produced a record performance, as did our wider EMEA region and our Technology specialism globally, delivering on our clear strategy to position our businesses in the most in-demand and resilient sectors.

"Our key markets continue to be characterised by acute skill shortages and wage inflation, and we are benefiting from our early management actions to increase fee margins in skill-short markets. We have a strong balance sheet, flexible business model and, following a period of sustained growth investment for an evolving market, we are very firmly focused on driving consultant productivity and leveraging our investments."

Group

Q3 trading overview

The Group delivered record fees in the quarter, up 5% on a like-for-like basis versus the prior year, despite increased macroeconomic uncertainties and tough prior year growth comparatives. On an actual basis, net fees increased by 10%, with the weakening of sterling versus the Euro, US dollar and Australian dollar increasing our actual net fees. Eight countries delivered record quarterly fees, including our largest business of Germany, and March produced a record Group fee performance, driving a net fee exit rate of 4%.

Temp and Contracting fees (59% of Group) grew by 11%, significantly faster than Perm, driven by our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation. Temp volumes decreased by 2% year-on-year, with good growth in Germany and EMEA offset by weakness in ANZ and UK&I. Fees in Perm (41% of Group) decreased by 2%, driven by volumes down 11%, as client hiring processes extended and with reduced candidate confidence in most markets. This was offset by continued improvement in our average Perm fee, up 9%. Fees in the Private sector (84% of Group fees) increased by 4%, with the Public sector up 10%.

We continued to deliver on our strategy to position our businesses in the most in-demand and resilient sectors. Our largest global specialism of Technology (26% of Group fees) delivered another record performance, with fees up 8%. Our second largest, Accountancy & Finance, increased by 9%, while Engineering, now our third largest, also produced a fee record and grew by an excellent 23%. Construction & Property decreased by 3%, with direct outsourcing fees in Enterprise clients increasing by 3%, and we continue to have a strong pipeline of opportunities.

Group headcount and FX

Group consultant headcount decreased by 2% in the quarter, in line with our expectations, and increased by 4% year-on-year. Overall, average productivity per consultant remained at good levels, and we continue to focus on managing our overhead costs. We expect consultant headcount growth will be broadly flat in Q4 FY23 overall, as we continue to focus on driving productivity.

The weakening of Sterling versus our main trading currencies of the Euro is currently a tailwind to Group operating profit in FY23. If we re-translate FY22 profits of £210.1m at 12 April 2023 exchange rates (AUD1.8645 and €1.1349), operating profit would increase by c.£6 million, a decrease of £3 million versus the position at our H1 FY23 results, driven by recent weakness in the Australian dollar.

Outlook

Client and candidate activity remains solid overall in Temp and Contracting, with modestly lower numbers of new assignments broadly offset by greater contract extensions. In Perm, we have continued to see further lengthening of 'time-to-hire', driven by greater client and candidate uncertainty.

Easter falls entirely in Q4 FY23, as it did in FY22, and therefore we do not anticipate any material working day impacts in our fourth quarter.

We expect H2 FY23 operating profit and conversion rate will be modestly above H1 FY23, assuming overall activity levels remain stable in our fourth quarter.

Germany (32% of net fees)

Germany delivered a record fee performance, up 23%. We also ended the quarter with near-record Temp & Contractor volumes, driven by skills shortages and good levels of client demand.

Our largest specialism of Technology, 35% of Germany fees, increased by 17%, with our second largest, Engineering, up 27%. Accountancy & Finance and Construction & Property grew by 30% and 3% respectively, with HR up an excellent 64%. Private sector fees (86% of Germany) increased by 20%, with the Public sector up an excellent 41%.

Contracting (60% of Germany fees) delivered a record quarter with fees up 27%, driven by 10% growth in contractor volumes. Margin, mix and increased contractor rates added a further 16%, with average weekly hours per contractor also 1% ahead of the prior year.

Fees in Temp (24% of Germany fees), where we employ temporary workers as required under German law, increased by 20%. This was driven by Temp volumes up 13% and increased fee margins up 11%, partially offset by a 4% increase in sickness / lower average weekly hours per Temp.

Perm, which represented 16% of Germany fees, increased by 13%.

Consultant headcount increased by 1% in the quarter and by 10% year-on-year.

United Kingdom & Ireland (20% of net fees)

Net fees in the United Kingdom & Ireland (UK&I) decreased by 2%. Performance was led by Temp (58% of UK&I fees), up 3%, all driven by margin and mix, with Temp volumes down 5%. Perm fees decreased by 8%, driven by volumes down 20%, partially offset by positive pricing & mix, up 12%. The Private sector (69% of UK&I fees) declined by 5%, with the Public sector up 6%.

Most regions traded broadly in line with the overall UK&I business, apart from Northern Ireland and North East, which grew by 19% and 4% respectively, and the North West, which declined by 12%. Our largest region of London decreased by 6%, including London City down 7%. In Ireland, our business increased by 9%.

At the specialism level, our two largest UK&I businesses, Accountancy & Finance and Technology, decreased by 4% and 1% respectively. Engineering increased by an excellent 32%, with Education up 6%, while Construction & Property and Office Support decreased by 7% and 19% respectively.

Consultant headcount decreased by 3% in the quarter and was flat year-on-year.

Australia & New Zealand (14% of net fees)

Net fees in Australia & New Zealand (ANZ) fell by 8%. Perm fees, which represented 40% of ANZ, declined by 7%, with volumes down 18%, partially offset by pricing and mix, up 11%. Temp, 60% of ANZ, decreased by 9%, with volumes down 14% year-on-year, partially offset by improved margin and mix of 5%. Private sector net fees, which represented 67% of ANZ, decreased by 7%, with the Public sector down 10%.

Australia net fees decreased by 9%. Our largest regions of New South Wales and Victoria, which together represented 51% of Australia fees, decreased by 11% and 13% respectively. Queensland and Western Australia both fell by 4%, with ACT down 11%.

At the ANZ specialism level, Construction & Property, our largest business representing 21% of ANZ fees, decreased by 4%. Technology, our second largest specialism, fell by 6%, while Accountancy & Finance decreased by 3%. Sales & Marketing declined by 6% and our 'Other' smaller specialisms were also down 10% in aggregate.

New Zealand, 10% of ANZ net fees, delivered another record performance, with fees up 3%.

ANZ consultant headcount decreased by 2% in the quarter and by 1% year-on-year.

Rest of World (34% of net fees)

Our Rest of World (RoW) division, comprising 28 countries, grew net fees by 2%, including six quarterly fee records. Perm, which represented 65% of RoW net fees, decreased by 2% with Temp up 9%.

EMEA ex-Germany (63% of RoW) produced record fees, up 11%, or 13% excluding the fee impact of the closure of our Russia business in March 2022. France, our largest RoW country, grew by 15%, with Switzerland up 16%, both delivering record performances. Belgium increased by 15%, with Poland up 14%. The UAE was a standout performer, up 58%.

The Americas (22% of RoW) fees decreased by 15%, with activity slowing through the quarter, particularly in Perm. Fees in Latam increased by 3%, although conditions in Canada and the USA were challenging, with fees down 6% and 23% respectively.

Asia (15% of RoW) fees decreased by 4%. Japan grew by 4%, with Malaysia up an excellent 30%. China decreased by 26%, with Mainland China continuing to be particularly impacted by the pandemic, and significantly underperforming Hong Kong, which grew year-on-year.

RoW consultant headcount decreased by 2% in the quarter and increased by 6% year-on-year.

Cash flow, balance sheet and dividends

Net cash position at 31 March 2023 of c.£80 million (31 December 2022: £101.4 million), in line with our expectations and after purchasing 10.7 million shares (£12.2 million) under our share buyback programme in the quarter. As at 31 March, £6.0 million remained outstanding in our share buyback programme, which we expect to finish in Q4 FY23.

Enquiries

Hays plc

James Hilton
David Phillips

Group Finance Director
Head of Investor Relations & ESG

+44 (0) 203 978 2520
+44 (0) 333 010 7122

FGS Global

Guy Lamming
Anjali Unnikrishnan

hays@fgsglobal.com

Conference call

James Hilton and David Phillips will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 14 April 2023. Participants are invited to register via the URL link below:

<https://register.vevent.com/register/Bleb58fc49eadf4f24a08a9648492451d8>

Once registered, you will receive a confirmation email, with the details of the call and a personal login link and PIN which will place you directly into the call, without the need to speak to an operator. The call will be recorded and will also be available for playback via [the results centre on our investor website](#).

Reporting calendar

Trading update for the quarter (Q4 FY23) ending 30 June 2023	13 July 2023
Preliminary results for the year ending 30 June 2023	24 August 2023
Trading update for the quarter (Q1 FY24) ending 30 September 2023	12 October 2023

Hays Group overview

As at 31 March 2023, Hays had over 13,000 employees in 255 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 diversification and internationalisation of the Group, with the International business representing 80% of the Group's net fees in Q3 FY23, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 20 professional and skilled specialisms. In Q3 FY23 our four largest specialisms of Technology (26% of Group net fees), Accountancy & Finance (15%), Engineering (11%) and Construction & Property (10%) and collectively represented 62% of Group fees.

In addition to our international and sectoral diversification, in Q3 FY23 the Group's net fees were generated 59% from temporary and 41% from permanent placement markets, and this balance gives our business model relative resilience. This well-diversified business model continues to be a key driver of the Group's financial performance.

Purpose, Net Zero, Equity and our Communities

Our purpose is to benefit society by investing in lifelong partnerships that empower people and organisations to succeed, creating opportunities and improving lives. Becoming lifelong partners to millions of people and thousands of organisations also helps to make our business sustainable. Our core company value is that we should always focus on 'doing the right thing'. Linked to this and our commitment to Environmental, Social & Governance (ESG) matters, Hays has endorsed four United Nations Sustainable Development Goals (UNSDG's) - Decent Work & Economic Growth; Gender Equality; Climate Action and Supporting Industry Innovation and Infrastructure. These call upon businesses to advance sustainable development through the investments they make, the solutions they develop and the practices they adopt.

We believe that responsible companies should have Equity, Diversity & Inclusion at their heart. Our global ED&I Council helps co-ordinate and drive our actions. We made progress in FY22 by further embedding UNSDG Goal 5: Gender Equality in our strategy. We have set stretching targets on female representation in senior management. By 2025, we have committed to reach a level of 45% female leaders (FY22: 42% female) among our senior leadership of c.630 individuals, and to reach 50% by 2030.

As a business which exists to help people further their careers and fulfil their potential, Goal 8: Decent Work & Economic Growth aligns very closely with Hays' purpose. Over the last four years we are proud to have placed well over one million people globally in their next job; helping the individual, their employer and society. Our commitment to this goal is further reinforced through Hays Thrive, our free-to-use online Training & Wellbeing platform. Overall, across all our online platforms, over 850,000 individual training courses were undertaken on our web platforms in the last year.

We believe we have a significant role to play in combating climate change. In 2021, we became a Carbon Neutral company – our first step under Goal 13: Climate Action to achieve emissions reductions consistent with limiting global warming to 1.5°C, the most ambitious goal of the Paris Agreement. In March 2022, the Science-Based Targets initiative (SBTi) approved Hays' Science-Based targets to reduce i) absolute scope 1 and 2 GHG emissions by 50% by FY26; ii) absolute scope 3 GHG emissions from purchased goods and services and capital goods by 50% by FY30; and, iii) absolute scope 3 GHG emissions from business travel by 40% by FY26. This landmark step demonstrates Hays' firm commitment to be the first global specialist recruitment firm to reach Net Zero.

During FY22, Hays added a further UNSDG - Goal 9: Supporting Industry, Innovation and Infrastructure. Actions to support Goal 9 include our global Green Labs initiative, which identifies and supports growth in 'Green Collar' and Sustainability jobs. We are already a large recruiter of skilled workers in low carbon, social infrastructure and ESG roles, and we are investing to grow these areas, helping to solve global skill shortages. As Technology is our largest recruitment specialism, Hays clearly supports the growth of higher-technology industries, and our position as global leaders in Construction & Property supports resilient infrastructure development. Also, our MyLearning training portal also gives access to learning and development for candidates. Given many courses are free, MyLearning also supports marginalised groups to access labour markets.

Cautionary statement

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

LEI code: 213800QC8AWD4BO8TH08