

HAYS PLC

INVESTOR CALL SCRIPT – Q4: 13th July 2023

INTRODUCTION

Thank you, David. Good morning, everyone, and thanks for joining us.

I will present the highlights and key themes of today's update, and discuss regional performances, before taking questions. As usual, all net fee growth percentages are on a like-for-like basis versus prior year unless stated otherwise.

OVERVIEW

We delivered a resilient Q4 performance, with Group net fees down 2% versus prior year despite tougher market conditions and versus a strong prior year comparator. This included another quarter of strong growth in Germany and a record performance in our global Enterprise business. Despite tougher markets, through our focus on driving productivity and managing overhead costs, we expect to deliver FY23 operating profits in line with current market consensus and our previous guidance.

Our largest business, Temp and Contracting, which represented 58% of Group fees, delivered solid fee growth, up 4%. Perm fees decreased by 9% as client and candidate confidence reduced. There was no overall currency translation impact with actual fee performance in line with like-for-like.

I would highlight the following:

1. Our temp fee performance was solid overall with fee growth of 4%. Temp volumes were 4% down vs prior year, but sequentially stable through the quarter, and our fee growth was again driven by our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation.
2. Perm was tougher in the vast majority of our markets, and fees were down 9% in the quarter. Overall Perm volumes declined 19%, as job flow decreased and time-to-hire increased, reflecting lower client and candidate confidence. This was partially offset by good growth in our average perm fee, up 10%.
3. We delivered strong growth in our largest business of Germany, up 11% or 13% working day adjusted, with EMEA up 5%. Fees in our largest global specialism of Technology (25% of Group) declined by 3% versus a record prior year performance, with Temp outperforming Perm. We also saw a record performance in our Engineering business, up 15% and our third largest specialism at 11% of Group fees.
4. Group consultant headcount decreased by 3% in the quarter, and 5% year-on-year, as we continued to align our consultant capacity to market conditions. We remain firmly focused on productivity, which is at good overall levels, despite more difficult markets.
5. Our cash performance was strong, with debtor days unchanged at low levels. Our 30th June net cash position was c £135m, in line with our expectations.
6. During the quarter, Hays purchased a majority stake in Vercida Consulting, a UK-based Diversity, Equity and Inclusion consulting business which provides organisations with advisory services to improve

their ability to attract, retain and progress talent from diverse backgrounds. Our initial investment was c.£1 million, with further amounts payable based on achieving our ambitious growth plans.

I will now comment on the performance by each division in more detail.

Our largest market of **GERMANY** delivered strong fee growth of 11%, or 13% on a working-day-adjusted basis.

Contracting, our largest German business, delivered another strong quarter, up 12%. This was driven by 3% growth in contractor volumes, together with a 9% benefit from the mix of improved fee margins and higher contractor rates.

Temp increased by 11% and Perm by 10%, which was a record performance.

At the specialism level, our three largest specialisms, Technology, Engineering and Accountancy & Finance increased by 4%, 21% and 16% respectively.

Consultant headcount was down 3% in the quarter, although increased by 1% year-on-year.

In our **UK & IRELAND** business fees decreased by 7%.

Temp was flat YoY, with Temp volumes down 6% offset by increased margin and mix. Perm fees decreased by 15% with volumes down 29% as Perm markets became more difficult through the quarter, partially offset by positive pricing and mix.

The Private sector, roughly 2/3rds of UK&I fees, declined by 12%, with the Public sector clearly stronger and up 8%.

At the specialism level, Accountancy & Finance and Technology decreased by 4% and 10% respectively. Direct outsource fees in Enterprise clients delivered strong growth up 15%, although Construction & Property decreased by 7%.

Ireland fees decreased by 4%.

Consultant headcount decreased by 5% in the quarter and by 11% year-on-year.

In our **ANZ** division fees decreased by 15%.

Perm, declined by 22% with volumes down 28%, partially offset by pricing & mix. Temp fees decreased by 9%, with volumes down 15%, again partially offset by improved margin and mix.

The Private sector, two thirds of fees, decreased by 16%, with the Public sector down 12%, where we continued to see challenging Temp markets, particularly at the Federal government level.

At the specialism level, Construction & Property decreased by 12%, while Accountancy & Finance and Technology decreased by 8% and 13% respectively.

New Zealand decreased by 6%.

Consultant headcount decreased by 2% in the quarter and by 6% year-on-year.

In our **REST OF WORLD** division, comprising 28 countries, fees decreased by 4%.

EMEA-ex Germany delivered good growth, up 5%. France, our largest RoW country, grew by 10%, with the UAE, Italy and Spain each delivering record fees, up 47%, 17% and 5% respectively. Belgium increased by 6% and Switzerland grew 3% while fees in Poland declined by 9%.

The Americas decreased by 21%, with conditions difficult through the quarter, particularly in perm. Canada and USA continued to be tough, each down 25%, while Latam was flat.

Asia declined by 8%. Japan delivered a record and grew by 7%, with Malaysia down 4%. China decreased by 21%, with Mainland China not yet showing any post-pandemic recovery, and underperforming Hong Kong which grew 2%.

Overall RoW consultant headcount was down 4% in the quarter and down 5% year-on-year.

CASH FLOW AND BALANCE SHEET

Strong cash generation drove year end cash of c.£135m, in line with our expectations and after purchasing c.£6 million of shares in the quarter, completing our initial £93m share buyback programme.

CURRENT TRADING and GUIDANCE

I would make the following points:

1. Volumes remain stable overall in Temp and Contracting on a sequential basis, with modestly lower numbers of new assignments offset by greater contract extensions, and we continue to benefit from the positive effects of mix and margins.
2. In Perm, incoming job flow is down year-on-year but was broadly stable through the quarter on a sequential basis, although we continue to see lengthening of 'time-to-hire'.
3. June's net fee growth exit rate was -2%, in line with the overall quarter.
4. Consistent with our previous guidance and despite tougher market conditions, we expected Group second half operating profit will be modestly above H1, with H2 conversion rate also above H1, as we focused on managing our consultant capacity, driving average productivity and managing costs.
5. Given that we enter FY24 with Group fees down modestly vs prior year, our focus is on driving productivity, protecting our investments in key strategic areas and managing our overhead costs against a backdrop of inflation.

In conclusion, we delivered a resilient quarter and FY23 operating profit is expected to be in line with market expectations.

Although we remain vigilant of macroeconomic uncertainties, our balance sheet strength, flexible business model and experienced management teams around the world mean we are well-positioned to adapt to market conditions, while remaining firmly focused on our clear long-term growth strategy.

I will now hand you back to the administrator, and we are happy to take your questions.

Q&A

If that is all the questions for today, we'd like to thank you all again for joining the call.

I look forward to speaking to you next at our Prelim results on 24th August. Should anyone have any follow up questions, David, Rob and I will be available to take calls for the rest of the day.