## HAYS PLC

## INVESTOR CALL SCRIPT – Q3: 14th April 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 another record quarter, with good growth across our key strategic areas including Temp & Contracting and Technology, and an excellent performance in Germany.

Group fees grew by 5%, including a monthly fee record in March, and our fee growth exit rate was 4%.

Growth was led by our largest business, Temp and Contracting, which represented 59% of Group fees, up 11%. Perm fees decreased by 2%, as activity levels reduced through the quarter, driven by reduced client and candidate confidence, leading to a lengthening in ‘time-to-hire’ in most Perm markets.

Currency translation had a positive impact, increasing headline net fees by 5%.

I would highlight the following:

1. With Temp volumes down 2% overall, our growth in Temp 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. Overall Perm volumes decreased by 11% partially offset by continued increase in average Perm fee, up 9%.
3. We delivered quarterly fee records in 8 countries, including a standout performance in our largest business of Germany, up 23%, and also EMEA. Our largest global specialism of Technology, 26% of Group fees, also delivered another record quarter, with fees up 8%. We also saw an excellent performance in our Engineering business, up 23% and now our third largest specialism at 11% of Group fees.
4. Group consultant headcount decreased by 2% in the quarter, as we continued to align our consultant capacity to the underlying levels of activity and demand in each of our markets. Consultant headcount increased by 4% year-on-year, exiting the quarter in line with fee growth, with average consultant productivity at good levels.
5. Our cash performance was solid, with debtor days unchanged at low levels. Our 31st March net cash position was c.£80m, in line with our expectations, after c.£12m in share buybacks in the quarter.

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

Our largest market of **GERMANY**, which represented 32% of group fees, delivered another record fee performance, up 23%. Fees increased sequentially through the quarter driven by ongoing skill shortages in our high salary markets, higher than normal levels of contract extensions and solid client demand for new projects. We ended the quarter with near-record Contractor & Temp volumes.

Contracting, 60% of Germany fees, delivered another record quarter, up an excellent 27%. This was driven by 10% growth in contractor volumes, together with 16% via the mix of improved fee margins and higher contractor rates. Average weekly hours per contractor increased by 1% versus the prior year.

Temp, 24% of Germany fees, increased by 20%, driven by 13% volume growth. Perm increased by 13%.

At the specialism level, Technology, our largest specialism was up 17%, Engineering up 27%, Accountancy & Finance up 30% and HR up an outstanding 64%.

Consultant headcount was up 1% in the quarter and up 10% year-on-year.

The **UK & IRELAND**, 20% of Group fees, decreased by 2%.

Performance was led by Temp, 58% of UK&I fees, up 3%, entirely driven by increased margin and mix, with Temp volumes down 5%. Perm fees decreased by 8% driven by volumes down 20%, as Perm markets became more difficult through the quarter.

Private sector fees, 69% of UK&I fees, decreased 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 increased by 19% and 4% respectively, and the North West, which was down 12%. Our largest region of London decreased by 6%, including London City down 7%.

At the specialism level, Accountancy & Finance and Technology decreased by 4% and 1% respectively. Engineering increased by an excellent 32%, with Education up 6%, while Construction & Property decreased by 7%.

Ireland delivered another strong performance, with fees up 9%.

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

Our **ANZ** division, 14% of group, decreased by 8%.

Perm, 40% of ANZ fees, declined by 7% with volumes down 18%, partially offset by pricing & mix up 11%. Temp fees decreased by 9%, with volumes down 14%, again partially offset by improved margin and mix of 5%.

The Private sector, 67% of fees, decreased by 7%, with the Public sector down 10%, as we continued to see more challenging Temp markets at the Federal government level.

Australia fees decreased by 9%, with New South Wales down 11% and Victoria down 13%. Our largest ANZ specialism, Construction & Property, decreased by 4%, with our second-largest, Technology, down 6%. Our ‘other’ smaller specialisms fell 10% in aggregate.

New Zealand, 10% of ANZ fees, continued its record run and increased by 3%.

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

In **REST OF WORLD**, representing 34% of group fees and comprising 28 countries, fees grew by 2%, including 6 countries delivering quarterly records.

Perm, 65% of RoW fees, decreased by 2%, with Temp up a good 9%.

**EMEA-ex Germany** produced record fees, up 11% or 13% excluding the impact of our Russia closure a year ago, with broad-based growth across the region. 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** contracted by 15%, with activity slowing through the quarter, particularly in perm. Growth of 3% in Latam was offset by challenging conditions in Canada and USA, down 6% and 23% respectively.

**Asia** declined by 4%. Japan grew by 4%, and Malaysia was up an excellent 30%. China decreased by 26%, although Hong Kong was up slightly, significantly outperforming Mainland China where the pandemic continued to impact performance. Excluding China, our Asia business grew by 11%.

Overall RoW consultant headcount was down 2% in the quarter and up 6% year-on-year.

**CASH FLOW AND BALANCE SHEET**

Net cash at the end of the quarter was c.£80m, in line with our expectations and after purchasing £12 million of shares under our buyback programme.

Our buyback programme had a residual balance of £6m outstanding as at 31st March, which we expect to complete in Q4.

**CURRENT TRADING and GUIDANCE**

**I would make the following points:**

1. Client and candidate activity remains solid overall in our Temp and Contracting business, with modestly lower numbers of new assignments broadly offset by higher numbers of contract extensions. In Perm, we have continued to see further lengthening of ‘time-to-hire’, driven by increased client and candidate uncertainty.
2. Demand in our core markets continues to be underpinned by skill shortages globally. Our actions are driving supportive margin dynamics, as is wage inflation, and we expect to remain a net beneficiary of wage inflation through FY23.
3. Driven by our actions over recent quarters, Group consultant headcount growth is now in line with our fee growth, with improving average productivity, and we have appropriate capacity for current market conditions. We expect consultant headcount will be broadly flat in Q4 overall, as we focus on further driving productivity.
4. The Group's cost base per period was stable over the quarter and we remain highly focused on managing cost.
5. Assuming overall activity levels remain stable in our fourth quarter, we continue to expect H2 FY23 operating profit and conversion rate will be modestly above H1 FY23.

In conclusion, we delivered a record quarter and exited with Group fee growth of 4%, led by strong growth in Temp & Contracting and our largest market of Germany. Our focus is on driving productivity, further increasing fee margins and closely managing our overheads, while capitalising on the significant opportunities we see in the longer term.

Clearly, we remain vigilant of macroeconomic uncertainties. We have a flexible business model, and our highly experienced management teams will react swiftly to any changes and are watching lead indicators closely.

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 Q4 results on 13th July. Should anyone have any follow up questions, David, Rob and I will be available to take calls for the rest of the day.