Working for your tomorrow

QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2022

CONFERENCE CALL PREPARED REMARKS

13 October 2022

Introduction

James Hilton, Group Finance Director

Thank you, David, good morning, everybody, 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.

Performance overview

We have made a good start to our financial year, with fees sequentially stable at high levels through the quarter. The quarter produced a fee record overall, and September delivered a monthly record performance, both slightly ahead of our previous highs.

Fees grew by 15% overall, with Perm up 16% and Temp up 14%.

Currency translation had a positive impact, increasing headline net fees by 4%. There were no material working day adjustments in the period.

I would highlight the following key features:

1. Our growth was primarily driven by improved margins, with overall volumes in Temp and Perm sequentially stable at high levels. The private sector, up 17%, again outperformed the public sector, up 8%. The Group's fee growth exit rate in September was 12%.
2. We delivered quarterly fee records in 11 countries, including a standout performance in our largest business of Germany which was up 26%.
3. Our largest global specialism of Technology, 26% of Group fees, delivered another record quarter, with fees up 15%. Our Enterprise Solutions business also produced another record quarter, with direct outsourcing fees up 18%.
4. Consultant headcount increased by 2% in the quarter, which included our seasonal graduate intake in several large markets, albeit at lower-than-normal levels. Consultant productivity remained at good levels overall.
5. At 30 September our net cash position was c.£185m, in line with our expectations, after spending c.£40 million on share buybacks in the quarter, driven by a solid cash performance.

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

Australia & New Zealand

Our ANZ division, 16% of group fees, increased by 3%, with fees sequentially stable through the quarter.

Perm, 41% of ANZ fees, was up a strong 14%. Temp was tougher and decreased by 3%, with volumes down 8% partially offset by improved margin and mix of 5%.

The Private sector, 67% of fees, increased by 5%, with Public sector more difficult with fees flat, and slowed through the quarter.

Australia fees increased by 1%, led by New South Wales, up 7%. Our two largest ANZ industries, Construction & Property and Technology, grew by 19% and 10% respectively, while HR decreased by 9% and our 'other' smaller specialisms were down 11%.

New Zealand, 9% of ANZ fees, continued its strong run and increased by an excellent 23%.

Consultant headcount in ANZ increased by 3% in the quarter and 14% year-on-year.

Germany

Our largest business, Germany, which represented 27% of group fees, delivered another record fee performance, up 26%, with good levels of client demand. We continue to see significant skill shortages, particularly in high salary technical and professional markets, driven by structural megatrends in Germany.

Contracting, 58% of German fees, delivered a record quarter, up an excellent 29%. This was driven by 25% growth in contractor volumes, again to record levels. Improved margin and fee mix increased fees by a further 8%, partially offset by 4% lower average weekly hours per contractor.

Temp, 24% of Germany fees, increased by 15%, and Perm delivered another record performance up 35%.

At a specialism level, Technology our largest specialism, was up 11%, Engineering 28%, Accountancy & Finance up 37% and HR up an outstanding 186%.

Consultant headcount was flat in the quarter and up 21% year-on-year.

UK & Ireland

The UK & Ireland, 21% of Group fees, increased by 11%, with fees sequentially stable through the quarter.

Performance was led by Perm, 47% of UK&I fees, up 15%. Temp fees grew by 8%, all of which was driven by increased margin and mix. Private sector fees increased by 15%, with the Public sector up 3%.

Most regions traded broadly in line with the overall business apart from the South West & Wales and Scotland, which both grew by 15%, and the North West which grew by 5%. Our largest region of London increased by 7%, including London City up 21%.

At the specialism level, we again saw excellent growth in Technology, a record quarter up 21%, and Accountancy & Finance our largest specialism up 11%, while C&P grew by 3%.

Ireland delivered another excellent performance, with fees up 34%.

Consultant headcount increased by 2% in the quarter and 22% year-on-year.

Rest of World

Rest of World, representing 36% of group fees and comprising 28 countries, grew by 16%, with 10 countries delivering quarterly records. Excluding the fee impact of the closure of our Russia business in March 2022, RoW growth was 22%.

Perm, 68% of RoW fees, increased by 14%, with Temp up 21%.

In EMEA-ex Germany, fees increased by 16%, or 27% excluding Russia, with broad-based growth across the region. Our largest RoW country of France increased by 24%, with Switzerland up 25%. Poland, Italy and Belgium increased by 36%, 33% and 16% respectively.

The Americas grew by 17%, with Canada up an excellent 33%, and record fees in each LatAm country, with Latam collectively up 34%. Fees in the USA increased by 7%, with growth slowing through the quarter.

Asia grew by 15%, with excellent fee growth in Japan, up 48%, and another record performance in Malaysia, up 53%. China decreased by 12%, although Hong Kong significantly outperformed Mainland China, where pandemic-related restrictions weighed on performance. We opened an office in Bangkok in August, making Thailand our sixth Asian country.

Consultant headcount was up 4% in the quarter and 18% year-on-year.

Cash flow and balance sheet

We ended the quarter with net cash of c.£185m, in line with our expectations. We saw our usual seasonal working capital outflow over the summer, amplified this year by the excellent growth in Germany and EMEA, which are our highest salary and therefore most working capital-intensive markets.

We also purchased and cancelled c.33m shares at an average ex-dividend price of c.113p, at an overall cost of £40m. Our buyback program has a residual balance of c.£35m outstanding.

And of course, we are scheduled to pay 9.24p in final core and special dividends in respect of FY22 in November.

Current trading and guidance

I would make the following points:

1. Demand in our core markets continues to be underpinned by skill shortages globally, and we are seeing supportive margin dynamics and rising wage inflation. We expect to remain a net beneficiary of wage inflation through FY23.
2. Our forward-looking client and candidate activity levels remain good overall, particularly in Germany and EMEA, but have reduced modestly in a number of other markets as macroeconomic uncertainties increase. We are also seeing some clients take slightly longer in their decision-making processes. This is most notable in the UK&I, ANZ and the USA.
3. We expect Group consultant headcount will be down slightly in Q2, and broadly flat overall in H1. We are focused on driving productivity, while selectively investing in long-term structural growth areas. With c.600 consultants added in such growth markets in the last 12m, we remain highly committed to building leadership positions in the highest potential markets globally.
4. The Group's current cost base per period is c.£88m, in line with the guidance given at our prelim results, after taking account of our recent headcount investment. This is on a constant currency basis and before any recent FX movements.
5. As previously stated, due to the timing of public holidays, our German business has three fewer trading days in Q2 versus the prior year. We estimate this will have a negative profit impact of c.£5 million in H1. H2 trading days are consistent with prior year.
6. The weakening of Sterling versus our main trading currencies of the Euro and Australian dollar is currently a tailwind to Group operating profit in FY23. If we re-translate FY22 profits of £210.1m at 11 October 2022 exchange rates, operating profit would increase by c.£9 million.

In conclusion, we have made a good start to our financial year and exited the quarter with fee growth of 12%. Clearly, we are mindful of rising macroeconomic risks and our highly experienced global management teams are watching all our lead indicators closely.

Our focus is on driving consultant productivity and capitalising on the significant opportunities we see in the longer term, while navigating any shorter-term challenges the macro environment presents us.

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

Closing comments

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 full-year results on 17th January 2023. Should anyone have any follow up questions, David, Charles and I will be available to take calls for the rest of the day.

Enquiries

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Reporting calendar

Trading update for the quarter (Q2 FY23) ending 31 December 2022	17 January 2023
Half-year results for the six months ending 31 December 2022	23 February 2023
Trading update for the quarter (Q3 FY23) ending 31 March 2023	14 April 2023

Hays Group overview

As at 30 June 2022, Hays had c.13,000 employees in 253 offices in 32 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 c.79% of the Group's net fees in Q4 FY22, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 20 professional and skilled specialisms. In Q4 FY22 our three largest specialisms of Technology (26% of Group net fees), Accountancy & Finance (14%) and Construction & Property (11%) together represented 51% of Group fees.

In addition to our international and sectoral diversification, in Q4 FY22 the Group's net fees were generated 55% from temporary and 45% 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, equating to c.27 million minutes of online learning.

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 support 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

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This announcement contains inside information.
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