HAYS Working for your tomorrow

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2022

13 October 2022

HAYS Working for your tomorrow

Financial summary

Growth in net fees for the quarter ended 30 September 2022 (Q1 FY23)

(versus the same period last year)	Growth	
	Actual	**LFL**
By region:		
Australia & New Zealand (ANZ)	12%	**3%**
Germany	26%	**26%**
United Kingdom & Ireland (UK&I)	11%	**11%**
Rest of World (RoW)	23%	**16%**
Total	19%	**15%**
By segment:		
Temporary	18%	**14%**
Permanent	21%	**16%**
Total	19%	**15%**

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 quarter, with fees up 15%. Perm up 16% and Temp up 14%, both primarily driven by continued improved margins. Overall, volumes and fees were sequentially stable at high levels through the quarter and the Group's fee growth exit rate was 12%
- **Australia & New Zealand (ANZ):** fees up 3%, led by Perm up 14%. Temp fees down 3%, driven by 8% lower volumes. Private sector fees, up 5%, outperformed the Public sector, with fees flat
- **Germany:** record fees, up 26% with Temp & Contracting up 24% and Perm up 35%. Record Contractor volumes, driven by skill shortages
- **UK & Ireland (UK&I):** fees up 11%, with Perm up 15% and Temp up 8%. The Private sector, up 15%, outperformed the Public sector, up 3%
- **Rest of World (RoW):** record fees, up 16%, with ten country records. Perm up 14% and Temp up 21%. Strong growth in all regions, with EMEA ex-Germany up 16%, the Americas up 17%, and Asia up 15%
- Group consultant headcount up 2% in the quarter and up 19% YoY. We expect headcount will be broadly flat overall in H1 FY23 as we focus on driving productivity, while selectively investing in attractive structural growth areas
- Net cash position of c.£185 million (30 June 2022: £296 million; 31 December 2021: £237 million), in line with our expectations, driven by a solid cash performance and after c.£40 million in share buybacks in the quarter

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

"We have made a good start to our financial year; fees were stable at high levels over the summer and September delivered a record month, and ended a record quarter. Volumes were sequentially stable overall in Perm and Temp, and fees benefited from improved margins and wage inflation. Our performance was broad-based as 11 countries produced quarterly fee records, including our largest country of Germany which continued to grow strongly.

"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. This said, our key markets continue to be characterised by acute skill shortages and wage inflation. We remain acutely focused on driving consultant productivity, and with a global management team experienced in managing through many cycles, I am confident we will deliver on the twin objectives of capitalising on our significant long-term growth opportunities, while navigating any shorter-term macroeconomic challenges."

Group

Q1 trading overview

The quarter represented a net fee record for the Group, up 15% on a like-for-like basis versus the prior year, despite a tougher prior year quarterly growth comparative. On an actual basis, net fees increased by 19%, with the weakening of sterling versus the Australian dollar and US dollar increasing our reported net fees. Net fees were sequentially stable at high levels through the summer, and September slightly beat our previous record monthly fee, in March 2022. The Group's September net fee growth exit rate was 12%.

Net fees in Temp (54% of Group) increased by 14%. Growth was driven by continued improvement in underlying Temp margins and wage inflation, with overall Temp volumes stable through the quarter. Fees in Perm (46% of Group) increased by 16%, with continued strong improvement in our average Perm fee. Fees in the Private sector (85% of Group fees) increased by 17%, with the Public sector up 8%.

Our largest global specialism of Technology (26% of Group fees) delivered another record performance, with fees up 15%, despite a tough prior year growth comparator. Accountancy & Finance increased by 19%, with Construction & Property up 13%. Direct outsourcing fees in Enterprise clients also produced a record, up 18%, and we continue to win Enterprise market share, with a strong pipeline of opportunities.

As previously stated, due to the timing of public holidays, our Germany business has three fewer trading days in H1 FY23 versus the prior year, all of which occur in the second quarter (H2 FY23 trading days are unchanged YoY). We estimate this will have an H1 FY23 negative profit impact of c.£5 million.

Group cost base, FX and outlook

Group consultant headcount increased by 2% in the quarter and by 19% year-on-year. Despite this headcount investment, average productivity per consultant remained at good levels. We expect consultant headcount will be broadly flat in H1 FY23 overall, as we focus on driving productivity, while selectively investing in attractive structural areas such as Technology via our Strategic Growth Initiative programme. The Group's current cost base per period[1] is c.£88m, in line with the guidance given at our preliminary results after taking account of our recent headcount additions. This excludes the recent impact of exchange rate movements.

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 (AUD1.7649 and €1.1447), operating profit would increase by c.£9 million.

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, notably the UK&I, ANZ and the USA.

[1] Due to the cycle of our internal Group reporting, the Group's annual cost base equates to c.12.5x our cost base per period. This is consistent with prior years.

Australia & New Zealand (16% of net fees)

Net fees in Australia & New Zealand (ANZ) increased by 3%, with fees sequentially stable through the quarter.

Perm fees, which represented 41% of ANZ, grew by 14%. Temp, 59% of ANZ, decreased by 3%, with volumes down 8% year-on-year, partially offset by improved margin and mix of 5%. Private sector net fees, which represented 67% of ANZ, increased by 5%, with the Public sector fees flat.

Australia net fees increased by 1%. Our largest regions of New South Wales and Victoria, which together represented 53% of Australia fees, grew by 7% and declined by 4% respectively. Queensland increased by 1%, Western Australia by 4% and ACT decreased by 2%.

At the ANZ specialism level, Construction & Property, our largest business representing 21% of ANZ fees, increased by 19%. Technology, our second largest specialism, grew by 10%, with Accountancy & Finance up 12%. Sales & Marketing declined by 13%, with HR down 9% and our 'Other' smaller specialisms down 11% in aggregate.

New Zealand, 9% of ANZ net fees, delivered another excellent performance, with fees up 23%.

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

Germany (27% of net fees)

Germany delivered a record fee performance, up 26%, with record Contractor volumes, driven by skills shortages.

Our largest specialism of Technology, 35% of Germany fees, increased by 11%, with our second largest, Engineering, up 28%. Accountancy & Finance and Construction & Property grew by 37% and 28% respectively, with growth in HR stronger still, up 186%. Private sector fees (87% of Germany) increased by 27%, with the Public sector up 22%.

Our largest area of Contracting (58% of Germany fees) delivered a record quarter with fees up an excellent 29%, driven by 25% growth in contractor volumes and we ended the quarter with a record number of Contractors. Margin and Contractor rates mix added a further 8%, partially offset by 4% lower average weekly hours per contractor.

Fees in Temp (24% of Germany fees), where we employ temporary workers as required under German law, increased by 15%.

Perm, which represented 18% of Germany fees, also delivered a record performance and increased by 35%.

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

United Kingdom & Ireland (21% of net fees)

Net fees in the United Kingdom & Ireland (UK&I) increased by 11%, with fees sequentially stable through the quarter. Performance was led by Perm (47% of UK&I fees), up 15%. Temp fees increased by 8%, all driven by margin and mix. The Private sector (73% of UK&I fees) grew by 15% and the Public sector increased by 3%.

Most regions traded broadly in line with the overall UK&I 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%. In Ireland, our business increased by an excellent 34%.

At the specialism level, Technology delivered another excellent performance, up 21%. Education and Accountancy & Finance both grew strongly, up 18% and 11% respectively, while Construction & Property increased by 3%.

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

Rest of World (36% of net fees)

Our Rest of World (RoW) division, comprising 28 countries, produced a record quarter and grew net fees by 16%, including ten quarterly fee records. Excluding the fee impact of the closure of our Russia business in March 2022, RoW growth was 22%. Perm, which represented 68% of RoW net fees, increased by 14% with Temp up 21%.

EMEA ex-Germany (55% of RoW) fees increased by 16%, or by 27% excluding Russia, with broad-based growth. France, our largest RoW country, increased by 24%, with Switzerland up 25%. Poland and Italy each delivered excellent growth, up 36% and 33% respectively, while Belgium grew by 16%.

The Americas (27% of RoW) fees increased by 17%. Canada delivered excellent growth, up 33%, as did Latam, up 34%, with each Latam country delivering record fees. Fees in the USA increased by 7% overall, with growth slowing through the quarter.

Asia (18% of RoW) fees increased by 15%. Performance in Japan was excellent, up 48%, and Malaysia delivered record fees, up 53%. China decreased by 12%, with Mainland China particularly impacted by strict pandemic restrictions, and continuing to significantly underperform Hong Kong. We opened an office in Bangkok in August, making Thailand our sixth Asian country.

RoW consultant headcount increased by 4% in the quarter and by 18% year-on-year.

Cash flow, balance sheet and dividends

Net cash position at 30 September of c.£185 million (30 June 2022: £296 million; 31 December 2021: £237 million), in line with our expectations. We saw our usual seasonal working capital outflow over the summer, amplified this year by the excellent growth in Temp and Contracting in Germany and EMEA, which are our highest salary markets and are therefore working-capital-intensive. We also purchased c.£40 million under our share buyback programme in the quarter.

The Board is committed to returning significant cash to our shareholders, who will vote on our proposed £121.2 million special dividend in November. Additionally, during the quarter we purchased and cancelled a further 32.7 million shares under our £75 million share buyback programme, at an average price of 112.6p per share (after adjusting for our ex-dividend process on 29 September 2022). This left a residual balance on our share buyback programme of c.£35 million at 30 September 2022.

Enquiries

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Conference call

James Hilton and David Phillips will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 13 October 2022. The dial-in details are as follows:

Dial-in number	0330 551 0200
Password	Hays

The call will be recorded and available for playback for seven days as follows:

Replay dial-in number	+44 (0) 208 196 1480
Access code	2385471#

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 Q1 FY23, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 20 professional and skilled specialisms. In Q1 FY23 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 Q1 FY23 the Group's net fees were generated 54% from temporary and 46% 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

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.

This announcement contains inside information.
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