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QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 30 JUNE 2023

13 July 2023

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Financial summary

Growth in net fees for the quarter ended 30 June 2023 (Q4 FY23)

(versus the same period last year)	Growth	
	Actual	**LFL**
By division:		
Germany	14%	**11%**
United Kingdom & Ireland (UK&I)	(7)%	**(7)%**
Australia & New Zealand (ANZ)	(20)%	**(15)%**
Rest of World (RoW)	(3)%	**(4)%**
Total	(2)%	**(2)%**
By segment:		
Temporary	4%	**4%**
Permanent	(9)%	**(9)%**
Total	(2)%	**(2)%**

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

- Resilient performance, with Group fees down 2%. Solid growth in Temp, up 4% with volumes sequentially stable through the quarter. Perm down 9%, with reduced client and candidate confidence. Fees continued to be supported by positive margins, mix and wage inflation
- Despite tougher market conditions, FY23 operating profit is expected to be in line with market consensus expectations of c.£196 million[1]
- **Germany:** strong performance with fees up 11%, or 13% on a working day-adjusted basis. Temp & Contracting up 12%, driven by volume growth and positive pricing. Record performance in Perm, up 10%
- **UK & Ireland (UK&I):** fees down 7%. Temp fees were flat, however conditions were tougher in Perm, down 15% as activity levels slowed
- **Australia & New Zealand (ANZ):** fees down 15%. Temp down 9% with reduced activity in the Public sector. Continued tough conditions in Perm, down 22%
- **Rest of World (RoW):** fees down 4%, despite a good performance in EMEA ex-Germany, up 5%. Asia decreased by 8%, with China again challenging. The Americas was also tough, down 21%
- Consultant headcount decreased by 3% in the quarter and by 5% YoY, as we focused on driving productivity which remained at good levels overall, despite more difficult markets
- Strong cash generation drove year-end net cash of c.£135 million (31 March 2023: c.£80 million), in line with our expectations and after purchasing £6 million in shares in Q4, completing our £93 million buyback programme

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

"We delivered a resilient Q4 performance against a tougher market backdrop, and we expect FY23 operating profit will be in line with market expectations[1]. Growth was again driven by Temp & Contracting, our largest business and key strategic focus, where volumes were stable overall, however Perm hiring processes continued to lengthen. Germany performed strongly, EMEA produced good fee growth and we also grew fees with our Enterprise clients globally, as we leveraged our network and capabilities to deepen customer relationships.

"Despite macroeconomic uncertainties, our key markets remain characterised by skill shortages and wage inflation. Our early management actions to increase average fee margins and control our costs have underpinned our performance, and consultant productivity is good overall, with headcount aligned to current market conditions. Our balance sheet strength and flexible business model mean we are well-positioned to adapt to market conditions, while remaining firmly focused on our clear long-term growth strategy."

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Group

Q4 trading overview

Group fees declined by 2% year-on-year on a like-for-like basis, versus a strong prior year growth comparative, and reflecting tougher market conditions, particularly in Perm. On an actual basis, net fees also decreased by 2%, with minimal net impact of currency year-on-year. The Group's fee growth exit rate was in line with the rate of growth in the quarter, and six RoW countries delivered record fee performances.

Temp and Contracting (58% of Group fees) delivered solid growth of 4%, 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 were sequentially stable through the quarter, although decreased by 4% year-on-year, with growth in Germany and EMEA offset by continued decreases in ANZ and UK&I. Fees in Perm (42% of Group fees) decreased by 9%, driven by volumes down 19% as job flows decreased and hiring processes extended. This was partially offset by growth in our average Perm fee, up 10%. Fees in the Private sector (84% of Group fees) decreased by 4%, with the Public sector up 6%.

We continued to deliver on our long-term strategy to position our businesses in the most attractive structural growth sectors. Fees in our largest global specialism of Technology (25% of Group) declined by 3% versus a record prior year performance, with Temp outperforming Perm. Our second largest, Accountancy & Finance, increased by 2% with a stronger performance in our Senior Finance practice. Engineering, our third largest specialism, produced a fee record and grew by an excellent 15%, although Construction & Property was tougher, down 10%. Direct outsourcing fees in Enterprise clients also produced a fee record, up 2%, and we continue to have a good pipeline of opportunities.

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.

Group headcount and FX

Group consultant headcount decreased by 3% in the quarter and decreased by 5% year-on-year, as we continued to align our capacity with market conditions. We remain firmly focused on consultant productivity, which is at good overall levels, despite more difficult markets.

The recent strengthening in sterling versus our main trading currencies of the Euro and Australian dollar has decreased the tailwind to Group operating profit in FY23. If we re-translate FY22 profits of £210.1m at 11 July 2023 exchange rates (AUD1.9359 and €1.1734), operating profit would decrease by c.£2 million, a decrease of £8 million versus the position at our H1 FY23 results. Looking to FY24, FX remains a headwind to Group operating profit. If we re-translate current consensus FY23 operating profit of c.£196 million(1) at 11 July exchange rates, operating profit would decrease by c.£7 million.

FY23 guidance and outlook

Consistent with our commentary at our H1 23 results, and despite tougher market conditions, FY23 operating profit is expected to be in line with market consensus expectations of c.£196 million(1).

Volumes remain stable overall in Temp and Contracting, with modestly lower numbers of new assignments offset by greater contract extensions, and we continue to benefit from positive effects of mix and margins. In Perm, incoming job flow is modestly down year-on-year, but was broadly sequentially stable through the quarter, and we continue to see lengthening of time-to-hire.

1 Bloomberg consensus average operating profit at 11 July 2023 was £196.2 million

Germany (31% of net fees)

Germany delivered strong fee growth, up 11%, or up 13% on a working day-adjusted (WDA) basis.

Our largest specialism of Technology, 33% of Germany fees, increased by 4%, with our second largest, Engineering, up 21%. Accountancy & Finance grew by 16%, with HR up an excellent 24%. Private sector fees (86% of Germany) increased by 9%, with the Public sector up an excellent 25%.

Contracting (56% of Germany fees) delivered strong growth, with fees up 12% (14% WDA). This was driven by 3% growth in contractor volumes and 9% from higher margins.

Fees in Temp (27% of Germany fees), where we employ temporary workers as required under German law, increased by 11% (13% WDA). This was driven by 8% growth in Temp volumes, and 4% from higher margins, partially offset by slightly lower average weekly hours worked per Temp.

Perm, which represented 17% of Germany fees, delivered a record performance and fees increased by 10%.

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

United Kingdom & Ireland (20% of net fees)

Net fees in the United Kingdom & Ireland (UK&I) decreased by 7%. Performance was led by Temp (57% of UK&I fees), with flat fees, which was driven by the positive impact of margin and mix, offset by Temp volumes down 6%. Perm fees decreased by 15%, driven by volumes down 29%, partially offset by positive pricing & mix, up 14%. The Private sector (69% of UK&I fees) declined by 12%, with the Public sector up 8%.

Most regions traded broadly in line with the overall UK&I business, with our largest region of London decreasing by 10%. In Ireland, our business decreased by 4%.

At the specialism level, our two largest UK&I businesses, 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%.

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

Australia & New Zealand (14% of net fees)

Net fees in Australia & New Zealand (ANZ) fell by 15%. Perm fees, which represented 38% of ANZ, declined by 22%, with volumes down 28%, partially offset by pricing and mix, up 6%. Temp, 62% of ANZ, decreased by 9%, with volumes down 15% year-on-year, offset by improved margin and mix of 6%. Private sector net fees, which represented 64% of ANZ, decreased by 16%, with the Public sector down 12%, impacted by tough market conditions, particularly in Temp.

Australia net fees decreased by 16%. Our largest regions of New South Wales and Victoria, which together represented 51% of Australia fees, decreased by 17% and 20% respectively. Queensland and Western Australia fell 11% and 18%, with ACT down 23%.

At the ANZ specialism level, Construction & Property (20% of ANZ fees) decreased by 12%. Technology, our second largest specialism, fell by 13%, while Accountancy & Finance and HR both decreased by 8%.

New Zealand, 9% of ANZ net fees, decreased by 6%.

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

Rest of World (35% of net fees)

Fees in our Rest of World (RoW) division, comprising 28 countries, decreased by 4%. Perm, which represented 64% of RoW net fees, decreased by 7%, with Temp fees up 2%. Six countries produced record quarterly fees.

EMEA ex-Germany (62% of RoW) delivered good growth, up 5%. France, our largest RoW country, grew by 10%, and the UAE, Italy and Spain each delivered record fees, up 47%, 17% and 5% respectively. Belgium increased by 6%, Switzerland by 3%, although fees in Poland declined by 9%.

The Americas (22% of RoW) fees decreased by 21%, with conditions difficult through the quarter, particularly in Perm. Conditions in Canada and USA were tough, both down 25%, although Latam was more resilient, with flat fees.

Asia (16% of RoW) fees decreased by 8%. Japan produced record fees, up 7%, with Malaysia down 4%. China decreased by 21%, with Mainland China not yet showing any material post-pandemic recovery, and underperforming Hong Kong, where fees increased by 2%.

RoW consultant headcount decreased by 4% in the quarter and by 5% year-on-year.

Cash flow, balance sheet and dividends

Strong cash generation drove year-end net cash of c.£135 million (31 March 2023: c.£80 million), in line with our expectations and after purchasing c.£6 million under our share buyback programme in Q4, which completed our initial £93 million share buyback programme.

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 July 2023. Participants are invited to register via the URL link below:

https://register.vevent.com/register/BI987641c29d634e1390dbf38eaf63866e

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

Preliminary results for the year ended 30 June 2023	24 August 2023
Trading update for the quarter ending 30 September 2023 (Q1 FY24)	12 October 2023
Trading update for the quarter ending 31 December 2023 (Q2 FY24)	12 January 2024

Hays Group overview

As at 30 June 2023, Hays had over 13,000 employees in 252 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 Q4 FY23, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 21 professional and skilled specialisms. In Q4 FY23 our four largest specialisms of Technology (25% of Group net fees), Accountancy & Finance (15%), Engineering (11%) and Construction & Property (10%) and collectively represented 61% of Group fees.

In addition to our international and sectoral diversification, in Q4 FY23 the Group's net fees were generated 58% from temporary and 42% 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.

Hays also actively supports UNSDG Goal 9: Supporting Industry, Innovation and Infrastructure. We do this via 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 Engineering and 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.

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