

QUARTERLY UPDATE FOR THE THREE MONTHS ENDED 31 DECEMBER 2022

CONFERENCE CALL PREPARED REMARKS

17 January 2023



< James Hilton, Group Finance Director >

Introduction

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.

Performance overview

We performed well in the quarter, with strong performances across our key strategic areas including Temp & Contracting, Technology and in Germany.

Group fees grew by 8% and were stable at high levels, with November matching our previous fee record, from September 2022. Performance was consistent across the quarter and our December fee growth exit rate was 5%, or 6% when adjusted for working days.

Growth was led by our Temp and Contracting business, up 9%, with Perm up 7%. This represented the first outperformance of Temp in seven quarters.

Currency translation had a positive impact, increasing headline net fees by 3%. Adjusting for three fewer working days in Germany versus the same period last year, Group fees increased by 10%.

I would highlight the following:

1. Growth in both Temp & Perm was driven by our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation.
2. Activity remained at good overall levels. Temp volumes increased through the quarter, in line with normal seasonal trends, but we saw overall Perm volumes decrease modestly through the quarter.
3. We delivered quarterly fee records in 9 countries, including a standout performance in our largest business of Germany, and also EMEA. Our largest global specialism of Technology, 26% of Group fees, also delivered another record quarter, with fees up 10%. We grew direct outsourcing fees into Enterprise clients by 7%, increasing our market share with a strong pipeline of opportunities, and had an excellent performance in our Engineering business, up 23% and now representing 10% of Group fees.
4. Group consultant headcount decreased by 2% in the quarter, as previously guided, as we balanced modest investment in supportive markets with selective reductions where underlying demand was lower. Consultant headcount increased by 10% year-on-year, in line with our underlying fee growth, and average consultant productivity was stable at good levels.
5. Our cash performance was good, and our 31st December net cash position was c.£100m, in line with our expectations, after paying c.£150 million in core and special dividends and c.£19m in share buybacks in the quarter.

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

Germany

Our largest market of Germany, which represented 28% of group fees, delivered another record fee performance, up 22%, or up 28% when adjusted for working days. Fees increased sequentially through the quarter driven by good levels of client demand and ongoing skill shortages in our high salary markets.

Contracting, 59% of Germany fees, delivered another record quarter, up an excellent 26%. This was driven by 19% growth in contractor volumes, again to record levels. Improved margin and Contractor rates' mix increased fees by a

further 11%, partially offset by a 5% headwind from fewer working days. Helpfully, average weekly hours per contractor was flat versus the prior year, in contrast to a declining trend in recent quarters.

Temp, 23% of Germany fees, increased by 5%, or by 20% on a working-day adjusted basis, driven by 17% volume growth. Perm delivered another record performance, up 32%.

At the specialism level, Technology, our largest specialism was up 12%, Engineering up 20%, Accountancy & Finance up 29% and HR up an outstanding 160%.

Consultant headcount was up 3% in the quarter and up 19% year-on-year.

UK & Ireland

The UK & Ireland, 21% of Group fees, increased by 4%, with fees sequentially stable through the quarter.

Performance was led by Temp, 55% of UK&I fees, up 5%, entirely driven by increased margin and mix. Perm was up 2%. Private sector fees, 68% of UK&I fees, increased by 3%, with the Public sector up 6%.

Most regions traded broadly in line with the overall business, apart from Northern Ireland and the Southwest and Wales, which increased by 9% and 8% respectively, and the North West, which was down 3%. Our largest region of London was flat, including London City up 4%.

At the specialism level, Technology produced another record quarter, up 13%, Accountancy & Finance grew 4%, while C&P declined by 2%.

Ireland delivered another excellent performance, with fees up 22%.

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

Australia & New Zealand

Our ANZ division, 14% of group, decreased by 4%, with fees broadly stable through the quarter.

Perm, 38% of ANZ fees, was down 1%. Temp decreased by 6%, with volumes down 12%, partially offset by improved margin and mix of 6%. The Private sector, 61% of fees, decreased by 6%, with the Public sector down 2%.

Australia fees decreased by 6%, with New South Wales down 3% and Victoria down 12%. Our largest ANZ specialism, Construction & Property, grew by 4%, while our second-largest, Technology, was flat. Accountancy & Finance was up a strong 15%, with HR down 11% and our 'other' smaller specialisms down 11%.

New Zealand, 9% of ANZ fees, continued its good run and increased by 10%.

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

Rest of World

In Rest of World, representing 37% of group fees and comprising 28 countries, fees grew by 6%, including 8 countries delivering quarterly records. Excluding the fee impact of the closure of our Russia business in March 2022, RoW growth was 9%.

Perm, 66% of RoW fees, increased by 6%, with Temp up 7%.

EMEA-ex Germany produced record fees, up 13% or 19% excluding Russia, with broad-based growth across the region. France, our largest RoW country, and Switzerland both delivered record performances, each up 23%. Italy and Poland increased by 24% and 10% respectively, and the UAE delivered a standout performance, up 69%.

The **Americas** decreased by 1%, with strong growth of 21% in LatAm and good growth in Canada, up 10%. The USA was down 9%, with fees and activity slowing through the quarter, particularly in Perm.

Asia declined by 5%, with excellent fee growth in Japan, up 38%, and with Malaysia up 9%. China decreased by 28%, although Hong Kong significantly outperformed Mainland China, where the pandemic continues to significantly impact performance. Excluding China, our Asia business grew by 20%.

Overall RoW consultant headcount was down 1% in the quarter and up 9% year-on-year.

Cash flow and balance sheet

We had a good cash performance and ended the quarter with net cash of c.£100m, after paying c.£150 million in core and special dividends in November 2022. We saw a working capital outflow over the half-year, driven by the excellent growth in Contracting & Temp in Germany and EMEA, which are our highest salary and therefore most working capital-intensive markets.

We also purchased and cancelled £18.6m of shares under our buyback programme in the quarter. Our buyback programme had a residual balance of c.£18m outstanding as at 31st December.

Current trading and guidance

I would make the following points:

1. As always at our Q2 update, it is too early to quantify our new year Temp & Contractor 'return to work'. However, our client and candidate activity remained at good levels in our Temp & Contracting business. Perm activity weakened in several markets across Q2, notably ANZ, the UK, USA and China, where we saw a lengthening of some clients' decision-making process and increased candidate uncertainty. Demand in our core markets continues to be underpinned by skill shortages globally.
2. 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. Having adjusted consultant headcount in several markets in Q2, we currently expect consultant headcount will be broadly flat in Q3 overall, as we focus on driving productivity, while selectively investing in attractive structural areas such as Technology.
4. The Group's cost base per period decreased through the quarter by just over £1m per period and we remain focused on cost control.
5. As flagged in the statement, Group operating profit in H1 FY23 is expected to be between £95-97 million.

In conclusion, we have performed well and exited the quarter with working-day adjusted fee growth of 6%, led by our largest market of Germany. Clearly, we are mindful of macroeconomic uncertainties and our highly experienced management teams will react swiftly to any changes and are watching lead indicators closely.

Our focus is on further increasing margins and closely managing our overheads, while capitalising on the significant opportunities we see in the longer term.

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 half-year results on 23rd February. Should anyone have any follow up questions, David, Charles, and I will be available to take calls for the rest of the day.

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Reporting calendar

Half-year results for the six months ended 31 December 2022	23 February 2023
Trading update for the quarter (Q3 FY23) ending 31 March 2023	14 April 2023
Trading update for the quarter (Q4 FY23) ending 30 June 2023	13 July 2023

Hays Group overview

As at 31 December 2022, Hays had c.13,000 employees in 254 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 Q2 FY23, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 20 professional and skilled specialisms. In Q2 FY23 our four largest specialisms of Technology (26% of Group net fees), Accountancy & Finance (14%), Construction & Property (10%) and Engineering (10%) collectively represented 60% of Group fees.

In addition to our international and sectoral diversification, in Q2 FY23 the Group's net fees were generated 56% from temporary and 44% 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.

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 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 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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